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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2012

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _____ to _____

Commission File No. 1-3157

INTERNATIONAL PAPER COMPANY

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

13-0872805

(I.R.S. Employer Identification No.)

6400 Poplar Avenue
Memphis, Tennessee

(Address of principal executive offices)

38197
(Zip Code)

Registrant's telephone number, including area code: (901) 419-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1 per share par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the Company's outstanding common stock held by non-affiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2012) was approximately \$12,533,753,892.

The number of shares outstanding of the Company's common stock as of February 21, 2013 was 441,207,804.

Documents incorporated by reference:

Portions of the registrant's proxy statement filed within 120 days of the close of the registrant's fiscal year in connection with registrant's 2013 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K.



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PART I.

ITEM 1. BUSINESS

GENERAL

International Paper Company (the “Company” or “International Paper,” which may also be referred to as “we” or “us”) is a global paper and packaging company that is complemented by an extensive North American merchant distribution system, with primary markets and manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. We are a New York corporation, incorporated in 1941 as the successor to the New York corporation of the same name organized in 1898. Our home page on the Internet is www.internationalpaper.com. You can learn more about us by visiting that site.

maintain reliability of operations and improve forestlands. Capital spending for continuing operations in 2012 was approximately \$1.4 billion and is expected to be approximately \$1.4 billion in 2013. You can find more information about capital expenditures on page 34 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Discussions of acquisitions can be found on pages 34 and 35 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You can find discussions of restructuring charges and other special items on pages 24 through 26 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of

In the United States at December 31, 2012, the Company operated 28 pulp, paper and packaging mills, 187 converting and packaging plants, 18 recycling plants and three bag facilities. Production facilities at December 31, 2012 in Europe, Asia, Latin America and South America included 11 pulp, paper and packaging mills, 65 converting and packaging plants, and two recycling plants. We distribute printing, packaging, graphic arts, maintenance and industrial products principally through over 88 distribution branches in the United States and 32 distribution branches located in Canada, Mexico and Asia. At December 31, 2012, we owned or managed approximately 327,000 acres of forestland in Brazil and had, through licenses and forest management agreements, harvesting rights on government-owned forestlands in Russia. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to industry capacity and general economic conditions.

For management and financial reporting purposes, our businesses are separated into four segments: Industrial Packaging; Printing Papers; Consumer Packaging; and Distribution. Beginning January 1, 2011, the Forest Products business was no longer reported by the Company as a separate industry segment due to the immateriality of the results of the remaining business on the Company's consolidated financial statements. A description of these business segments can be found on pages 26 and 27 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. The Company's 50% equity interest in Ilim Holding S.A. is also a separate reportable industry segment.

From 2008 through 2012, International Paper's capital expenditures approximated \$4.9 billion, excluding mergers and acquisitions. These expenditures reflect our continuing efforts to improve product quality and environmental performance, as well as lower costs,

Operations.

Throughout this Annual Report on Form 10-K, we "incorporate by reference" certain information in parts of other documents filed with the Securities and Exchange Commission (SEC). The SEC permits us to disclose important information by referring to it in that manner. Please refer to such information. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with all other reports and any amendments thereto filed with or furnished to the SEC, are publicly available free of charge on the Investor Relations section of our Internet Web site at www.internationalpaper.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained on or connected to our Web site is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we filed with or furnished to the SEC.

FINANCIAL INFORMATION CONCERNING INDUSTRY SEGMENTS

The financial information concerning segments is set forth in Note 18 Financial Information by Industry Segment and Geographic Area on pages 86 and 87 of Item 8. Financial Statements and Supplementary Data.

FINANCIAL INFORMATION ABOUT INTERNATIONAL AND U.S. OPERATIONS

The financial information concerning international and U.S. operations and export sales is set forth in Note 18 Financial Information by Industry Segment and Geographic Area on page 87 of Item 8. Financial Statements and Supplementary Data.

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COMPETITION AND COSTS

Despite the size of the Company's manufacturing capacity for paper, packaging and pulp products, the markets in all of the cited product lines are large and fragmented. The major markets, both U.S. and non-U.S., in which the Company sells its principal products are very competitive. Our products compete with similar products produced by other forest products companies. We also compete, in some instances, with companies in other industries and against substitutes for wood and wood-fiber products.

Many factors influence the Company's competitive position, including price, cost, product quality and services. You can find more information about the impact of price and cost on operating profits on pages 19 through 32 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. You can find information about the Company's manufacturing capacities on page A-4 of Appendix II.

MARKETING AND DISTRIBUTION

The Company sells paper, packaging products and other products directly to end users and converters, as well as through agents, resellers and paper distributors. We own a large merchant distribution business that sells products made both by International Paper and by other companies making paper, paperboard, packaging, graphic arts supplies and maintenance and industrial products. Sales offices are located throughout the United States as well as internationally.

DESCRIPTION OF PRINCIPAL PRODUCTS

The Company's principal products are described on pages 26 and 27 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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SALES VOLUMES BY PRODUCT

Sales volumes of major products for 2012, 2011 and 2010 were as follows:

Sales Volumes by Product (1)

<i>In thousands of short tons</i>	2012	2011	2010
Industrial Packaging			
Corrugated Packaging (2)	10,523	7,424	7,525
Containerboard (2)	3,228	2,371	2,458
Recycling	2,349	2,435	2,486
Saturated Kraft	166	161	176
Gypsum/Release Kraft (2)	135	—	—
Bleached Kraft	114	95	85
European Industrial Packaging	1,032	1,047	1,040
Asian Box (3)	410	444	307
Industrial Packaging	17,957	13,977	14,077
Printing Papers			
U.S. Uncoated Papers	2,617	2,616	2,695
European and Russian Uncoated Papers	1,286	1,218	1,235
Brazilian Uncoated Papers	1,165	1,141	1,081
Indian Uncoated Papers (4)	246	49	—
Printing Papers	5,314	5,024	5,011
Pulp (5)	1,593	1,410	1,422
Consumer Packaging			
U.S. Coated Paperboard	1,507	1,560	1,572
European Coated Paperboard	372	332	351
Asian Coated Paperboard	1,059	998	870
Consumer Packaging	2,938	2,890	2,793

(1) Includes third-party and inter-segment sales and excludes sales of equity investees.

(2) Includes Temple-Inland volumes from date of acquisition in February 2012.

(3) Includes SCA Packaging volumes from date of acquisition in June 2010.

(4) Includes APPM volumes from date of acquisition in October 2011.

(5) Includes internal sales to mills.

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RESEARCH AND DEVELOPMENT

The Company operates its primary research and development center in Loveland, Ohio, as well as several product laboratories. Additionally, the Company has an interest in ArborGen, Inc., a joint venture with certain other forest products companies.

We direct research and development activities to short-term, long-term and technical assistance needs of customers and operating divisions, and to process, equipment and product innovations. Activities include product development within the operating

MACT (maximum achievable control technology) rule. Projected capital expenditures for 2014 environmental capital projects are anticipated to be approximately \$285 million, much of which is associated with the new Boiler MACT rule. Preliminary cost projections for 2015 environmental capital projects are estimated to be \$300 million, much of which is again associated with Boiler MACT. In March 2011, the EPA published four inter-related final rules commonly and collectively referred to as "Boiler MACT." As finalized, these rules required owners of specified boilers to meet very strict air emissions standards for certain substances. The rule

divisions; studies on innovation and improvement of pulping, bleaching, chemical recovery, papermaking, converting and coating processes; packaging design and materials development; mechanical packaging systems, environmentally sensitive printing inks and reduction of environmental discharges; re-use of raw materials in manufacturing processes; recycling of consumer and packaging paper products; energy conservation; applications of computer controls to manufacturing operations; innovations and improvement of products; and development of various new products. Our development efforts specifically address product safety as well as the minimization of solid waste. The cost to the Company of its research and development operations was \$13 million in 2012, \$13 million in 2011 and \$12 million in 2010.

We own numerous patents, copyrights, trademarks, trade secrets and other intellectual property rights relating to our products and to the processes for their production. We also license intellectual property rights to and from others where necessary. Many of the manufacturing processes are among our trade secrets. Some of our products are covered by U.S. and non-U.S. patents and are sold under well known trademarks. We derive a competitive advantage by protecting our trade secrets, patents, trademarks and other intellectual property rights, and by using them as required to support our businesses.

ENVIRONMENTAL PROTECTION

International Paper is subject to extensive federal and state environmental regulation as well as similar regulations internationally. Our continuing objectives include: (1) controlling emissions and discharges from our facilities into the air, water and groundwater to avoid adverse impacts on the environment, and (2) maintaining compliance with applicable laws and regulations. A total of \$60 million was spent in 2012 for capital projects to control environmental releases into the air and water, and to assure environmentally sound management and disposal of waste. We expect to spend approximately \$90 million in 2013 for similar capital projects, including expenditures associated with the Environmental Protection Agency's (EPA) Boiler

was immediately subject to administrative reconsideration by the EPA and several lawsuits. On December 20, 2012, the EPA issued its final reconsidered Boiler MACT suite of rules. International Paper is actively analyzing the rules to determine, among other things, its costs and this process is in its early stages. As such, the projected capital expenditures for environmental capital projects represent our current best estimate of future expenditures with the recognition that the Boiler MACT analysis is in the early stages and subject to change.

In the U.S., the EPA proposed or finalized a number of new rules, including Greenhouse Gas Mandatory Reporting (see Climate Change section), and more restrictive National Ambient Air Quality Standards (NAAQSs). The EPA has promulgated new NAAQSs for nitrogen oxide (NOx) and sulfur dioxide (SO₂) and we anticipate that additional NAAQSs will also be forthcoming. Additionally, the EPA published Phase I of its Pulp and Paper National Emission Standard for Hazardous Air Pollutants (NESHAP). To date, these regulations have not had a material impact on International Paper operations. However, once fully implemented these rules could require significant investments of capital and/or operational changes that could potentially have a material impact.

CLIMATE CHANGE

In 1997, an international conference on global warming concluded with an agreement known as the Kyoto Protocol. The Kyoto Protocol called for reductions of certain emissions that may contribute to increases in atmospheric greenhouse gas concentrations. While the U.S. and many other countries did not ratify the Kyoto Protocol, it has formed the basis for a range of international, national and sub-national proposals and regulations focusing on greenhouse gas reduction. Some of these regulations apply currently or will apply in countries where we currently have, or may in the future have, manufacturing facilities or investments.

Although the Kyoto Protocol expired in 2012, a successor protocol is currently under negotiation at the international level. Several countries or geographic areas in which we operate, such as the EU, India, Brazil,

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China and Morocco, have signaled they intend to continue to participate in an extended Kyoto process. While only the EU had actual emissions caps, some countries are enacting local programs to address climate change. Currently, these local programs do not appear to materially impact IP operations. Russia and the U.S. have not agreed to participate in the post-Kyoto process. Due to the lack of clarity around what post-Kyoto will look like, it is not possible at this time to estimate the potential impacts of future international agreements on International Paper's operations. Under the European Union Emissions Trading System (EUETS), the EU has committed to greenhouse gas reductions. International Paper has two sites covered by the EUETS. These measures did not have a material effect on our European operations in 2012, nor are they expected to have such an impact in 2013 at current market prices for emission credits. Significant swings in market price associated with credits could impact European operations.

The U.S. has not ratified the Kyoto Protocol nor have efforts in the U.S. Congress to legislate the control of greenhouse gas (GHG) emissions been successful. To date, the activity in the U.S. has been spearheaded by the U.S. EPA and, to some extent, by the states. Pursuant to the GHG Mandatory Reporting Rule promulgated in 2009, the EPA began a process to collect data on

planned development of greenhouse gas emission inventories or regional greenhouse gas cap-and-trade programs. One such state is California. International Paper does not have any sites currently subject to California's GHG regulatory plan. There may be indirect impacts from changing input costs (such as electricity) at some of our California converting operations but these have yet to manifest themselves in material impacts. We are monitoring proposed programs in other states.

It is difficult to predict whether passage of climate control legislation or other regulatory initiatives by Congress or various U.S. states, or the adoption of regulations by the EPA or analogous state agencies that restrict emissions of greenhouse gases in areas in which we conduct business, may have a material effect on our operations in the U.S. In addition to possible direct impacts, future legislation and regulation could have indirect impacts on International Paper, such as higher prices for transportation, energy and other inputs, as well as more protracted air permitting processes, causing delays and higher costs to implement capital projects.

International Paper has controls and procedures in place to stay adequately informed about developments concerning possible climate change legislation and regulation in the U.S. and in other

emitters of greater than 25,000 tons of greenhouse gas per year. Twenty-four of our U.S. facilities and six closed landfills are covered by and submitted reports as required under this rule. We do not believe that the reporting rule has had nor will have a material impact on our operations. Additionally, the EPA has indicated that it will propose New Source Performance Standards (NSPS) for various industry sectors which will limit GHG emissions from certain sources. Currently, the EPA has not identified the pulp and paper industry in the first phase of sectors to be covered by the new standards. However, we anticipate that, at some future time, pulp and paper sources will be subject to new NSPS rules. It is uncertain what impacts, if any, future NSPS will have on International Paper's operations. The EPA has convened a Science Advisory Board (SAB) to assess the neutrality of biomass when combusted in new sources. The SAB began deliberations in 2011 and submitted recommendations to EPA in late 2012. It is not clear what, if any, of the SAB recommendations EPA will act on or the timeframe in which they may take action. Because the use of biomass is prevalent in the pulp and paper production process, the findings of the SAB and how they are incorporated into climate policy and subsequent regulations could be material to the industry and the Company.

Some U.S. states have considered legal measures to require the reduction of emissions of greenhouse gases by companies and public utilities, primarily through the

countries where we operate to ensure we continue to assess whether such legislation or regulation may have a material effect on the Company, its operations or financial condition, and whether we have any related disclosure obligations.

In summary, regulation of greenhouse gases continues to evolve in various countries in which we do business. While it is likely that there will be increased regulation relating to greenhouse gases and climate change, at this time it is not reasonably possible to estimate either a timetable for the implementation of any new regulations or our costs of compliance.

Additional information regarding climate change and International Paper, including our carbon footprint, is available at <http://internationalpaper.com/US/EN/Company/Sustainability/Climate.html>

EMPLOYEES

As of December 31, 2012, we had approximately 70,000 employees, 42,000 of whom were located in the United States. Of the U.S. employees, approximately 27,500 are hourly, with unions representing approximately 18,000 employees. Approximately 12,000 of the union employees are represented by the United Steel Workers (USW).

In September 2012, International Paper negotiated the integration of four former Temple-Inland mills into the International Paper/USW Mill Master Agreement

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expanding this Master to include 18 of our U.S. pulp, paper and packaging mills. In October 2012, we completed negotiations on the integration of 18 former Temple-Inland converting facilities into the International Paper/USW Converting Master Agreement expanding this Master to include 63 of our converting facilities. These two agreements, the Mill and Converting Master Agreements, cover several specific items, including but not limited to wages, select benefit programs, successorship, employment security and health and safety. Individual facilities continue to have local agreements for other items not covered by these agreements. If local facility agreements are not successfully negotiated at the time of expiration, then, under the Master Agreements, the local facility agreements will automatically renew with the same terms in effect at the time of expiration. In October 2012, International Paper negotiated the integration of four former Temple-Inland converting facilities into the International Paper/District Council 2, International Brotherhood of Teamsters (DC2, IBT) Converting Master Agreement expanding this Master to include 16 of our converting facilities.

In addition, during 2012, 36 local labor agreements were negotiated at four mills, 23 converting facilities and nine distribution facilities.

During 2013, 32 labor agreements are scheduled to be negotiated: five mills, 23 converting and four distribution facilities. Twenty-five of these agreements will automatically renew under the terms of the Master Agreements if new agreements are not reached.

EXECUTIVE OFFICERS OF THE REGISTRANT

John V. Faraci, 63, chairman and chief executive officer since 2003. Mr. Faraci joined International Paper in 1974.

John N. Balboni, 64, senior vice president and chief information

Tommy S. Joseph, 53, senior vice president – manufacturing, technology, EHS&S and global sourcing since January 2010. Mr. Joseph previously served as senior vice president – manufacturing, technology, EHS&S from February 2009 until December 2009, and vice president – technology from 2005 until February 2009. Mr. Joseph is a director of Ilim Holding S.A., a Swiss Holding Company in which International Paper holds a 50% interest, and of its subsidiary, Ilim Group. Mr. Joseph joined International Paper in 1983.

Thomas G. Kadien, 56, senior vice president – consumer packaging and IP Asia since January 2010. Mr. Kadien previously served as senior vice president and president – *xpedx* from 2005 until 2009. Mr. Kadien joined International Paper in 1978. Mr. Kadien serves on the board of directors of The Sherwin-Williams Company.

Paul J. Karre, 60, senior vice president – human resources and communications since May 2009. Mr. Karre previously served as vice president – human resources from 2000 until 2009. Mr. Karre joined International Paper in 1974.

Mary A. Laschinger, 52, senior vice president since 2007 and president – *xpedx* since January 2010. Ms. Laschinger previously served as president – IP Europe, Middle East, Africa and Russia from 2005 until 2010. Ms. Laschinger joined International Paper in 1992. Ms. Laschinger serves on the board of directors of the Kellogg Company.

Tim S. Nicholls, 51, senior vice president – printing and communications papers of the Americas since November 2011. Mr. Nicholls previously served as senior vice president and chief financial officer from 2007 until 2011 and vice president and executive project leader of IP Europe during 2007. Mr. Nicholls served as vice president and chief financial officer – IP Europe from 2005 until 2007. Mr. Nicholls joined International Paper in

officer since 2005. Mr. Balboni joined International Paper in 1978.

C. Cato Ealy, 55, senior vice president – corporate development since 2003. Mr. Ealy is a director of Ilim Holding S.A., a Swiss holding company in which International Paper holds a 50% interest, and of its subsidiary, Ilim Group. Mr. Ealy joined International Paper in 1992.

William P. Hoel, 56, senior vice president, Container The Americas, since February 2012. Mr. Hoel previously served as vice president, Container The Americas, from 2005 until 2012, senior vice president, corporate sales and marketing, from 2004 until 2005, and vice president, Wood Products, from 2000 until 2004. Mr. Hoel joined International Paper in 1983.

1991.

Maximo Pacheco, 60, senior vice president since 2005 and president – IP Europe, Middle East, Africa and Russia since January 2010. Mr. Pacheco previously served as president – IP do Brasil from 2004 until 2009. Mr. Pacheco is a director of Ilim Holding S.A., a Swiss holding company in which International Paper holds a 50% interest, and of its subsidiary, Ilim Group. Mr. Pacheco joined International Paper in 1994.

Carol L. Roberts, 53, senior vice president and chief financial officer since November 2011. Ms. Roberts previously served as senior vice president – industrial packaging from 2008 until 2011 and senior vice president – IP packaging solutions from 2005 until 2008. Ms. Roberts joined International Paper in 1981.

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Sharon R. Ryan, 53, senior vice president, general counsel and corporate secretary since November 2011. Ms. Ryan previously served as senior vice president, acting general counsel and corporate secretary from May 2011 until November 2011, and as vice president from March 2011 until May 2011. Ms. Ryan served as associate general counsel, chief ethics and compliance officer from 2009 until 2011, and as associate general counsel from 2006 until 2011. Ms. Ryan joined International Paper in 1988.

Mark S. Sutton, 51, senior vice president – industrial packaging since November 2011. Mr. Sutton previously served as senior vice president – printing and communications papers of the Americas from 2010 until 2011, senior vice president – supply chain from 2008 to 2009, and vice president – supply chain from 2007 until 2008. Mr. Sutton served as vice president – strategic planning from 2005 until 2007. Mr. Sutton joined International Paper in 1984.

RAW MATERIALS

Raw materials essential to our businesses include wood fiber, purchased in the form of pulpwood, wood chips and old corrugated containers (OCC), and certain chemicals, including caustic soda and starch. Information concerning fiber supply purchase agreements that were entered into in connection with the Company's 2006 Transformation Plan and the CBPR acquisition in 2008 is presented in Note 10 Commitments and Contingent Liabilities on page 66 of Item 8. Financial Statements and Supplementary Data.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K that are not historical in nature may be considered "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are often identified by the words, "will," "may," "should," "continue," "anticipate," "believe," "expect," "plan," "appear," "project," "estimate," "intend," and words of a similar nature. These statements are not guarantees of future performance and reflect management's current views with respect to future events, which are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. Factors which could cause actual results to differ include but are not limited to: (i) the level of our indebtedness and increases in interest rates; (ii) industry conditions, including, but not limited to, changes in the cost or availability of raw materials, energy and transportation costs, competition we face, cyclicalities and changes in consumer preferences, demand and pricing for our products; (iii) global economic conditions and political changes, including but not limited to the impairment of

financial institutions, changes in currency exchange rates, credit ratings issued by recognized credit rating organizations, the amount of our future pension funding obligation, changes in tax laws and pension and health care costs; (iv) unanticipated expenditures related to the cost of compliance with existing and new environmental and other governmental regulations and to actual or potential litigation; (v) whether we experience a material disruption at one of our manufacturing facilities; (vi) risks inherent in conducting business through a joint venture; (vii) our ability to achieve the benefits we expect from strategic acquisitions, divestitures and restructurings. These and other factors that could cause or contribute to actual results differing materially from such forward looking statements are discussed in greater detail below in "Item 1A. Risk Factors." We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1A. RISK FACTORS

In addition to the risks and uncertainties discussed elsewhere in this Annual Report on Form 10-K (particularly in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations), or in the Company's other filings with the Securities and Exchange Commission, the following are some important factors that could cause the Company's actual results to differ materially from those projected in any forward-looking statement.

RISKS RELATING TO INDUSTRY CONDITIONS

CHANGES IN THE COST OR AVAILABILITY OF RAW MATERIALS, ENERGY AND TRANSPORTATION COULD AFFECT OUR PROFITABILITY. We rely heavily on the use of certain raw materials (principally virgin wood fiber, recycled fiber, caustic soda and starch), energy sources (principally natural gas, coal and fuel oil) and third-party companies that transport our goods. The market price of virgin wood fiber varies based upon availability and source. In addition, the increase in demand of products manufactured, in whole or in part, from recycled fiber, on a global basis, may cause an occasional tightening in the supply of recycled fiber. Energy prices, in particular prices for oil and natural gas, have fluctuated dramatically in the past and may continue to fluctuate in the future.

Our profitability has been, and will continue to be, affected by changes in the costs and availability of such raw materials, energy sources and transportation sources.

THE INDUSTRIES IN WHICH WE OPERATE EXPERIENCE BOTH ECONOMIC CYCLICALITY AND CHANGES IN CONSUMER PREFERENCES.

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FLUCTUATIONS IN THE PRICES OF, AND THE DEMAND FOR, OUR PRODUCTS COULD MATERIALLY AFFECT OUR FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to industry capacity and general economic conditions. The length and magnitude of these cycles have varied over time and by product. In addition, changes in consumer preferences may increase or decrease the demand for our fiber-based products and non-fiber substitutes. These consumer preferences affect the prices of our products. Consequently, our operating cash flow is sensitive to changes in the pricing and demand for our products.

COMPETITION IN THE UNITED STATES AND INTERNATIONALLY COULD NEGATIVELY IMPACT OUR FINANCIAL RESULTS. We operate in a competitive environment, both in the United States and internationally, in all of our operating segments. Product innovations, manufacturing and operating efficiencies, and marketing, distribution and pricing strategies pursued or achieved by competitors could negatively impact our financial results.

RISKS RELATING TO MARKET AND ECONOMIC FACTORS

ADVERSE DEVELOPMENTS IN GENERAL BUSINESS AND ECONOMIC CONDITIONS COULD HAVE AN ADVERSE EFFECT ON THE DEMAND FOR OUR PRODUCTS AND OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS. General economic conditions may adversely affect industrial non-durable goods production, consumer spending, commercial printing and advertising activity, white-collar employment levels and consumer confidence, all of which impact demand for our products. In addition, a return to volatility in the capital and credit markets, which impacts interest rates, currency exchange rates and the availability of credit, could have a material adverse effect on our business, financial condition and our results of operations.

THE LEVEL OF OUR INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND IMPAIR OUR ABILITY TO OPERATE OUR BUSINESS. As of December 31, 2012, International Paper had approximately \$10.1 billion of outstanding indebtedness, including \$0 of indebtedness outstanding under our credit facilities and \$9.6 billion of indebtedness outstanding under our floating and fixed rate notes. The level of our indebtedness could have important consequences to our financial condition, operating results and business, including the following:

- it may limit our ability to obtain additional debt or equity financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes;
- a portion of our cash flows from operations will be dedicated to payments on indebtedness and will not be available for other purposes, including operations, capital expenditures and future business opportunities;
- the debt service requirements of our indebtedness could make it more difficult for us to satisfy other obligations;
- our indebtedness that is subject to variable rates of interest exposes us to increased debt service obligations in the event of increased interest rates;
- it may limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors that have less debt; and
- it may increase our vulnerability to a downturn in general economic conditions or in our business, and may make us unable to carry out capital spending that is important to our growth.

In addition, we are subject to agreements that require meeting and maintaining certain financial ratios and covenants. A significant or prolonged downturn in general business and economic conditions may affect our ability to comply with these covenants or meet those financial ratios and tests and could require us to take action to reduce our debt or to act in a manner contrary to our current business objectives.

CHANGES IN CREDIT RATINGS ISSUED BY NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS COULD ADVERSELY AFFECT OUR COST OF FINANCING AND HAVE AN ADVERSE EFFECT ON THE MARKET PRICE OF OUR SECURITIES. Maintaining an investment-grade credit rating is an important element of our financial strategy, and a downgrade of the Company's ratings below investment grade may limit our access to the capital markets, have an adverse effect on the market price of our securities, increase our cost of borrowing and require us to post collateral for derivatives in a net liability position. The Company's desire to maintain its investment grade rating may cause the Company to take certain actions designed to improve its cash flow, including sale of assets, suspension or further reduction of our dividend and reductions in capital expenditures and working capital.

Under the terms of the agreements governing approximately \$4.6 billion of our debt as of

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December 31, 2012, the applicable interest rate on such debt may increase upon each downgrade in our credit rating. As a result, a downgrade in our credit rating may lead to an increase in our interest expense. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment,

increased pension costs in future periods. Likewise, changes in assumptions regarding current discount rates and expected rates of return on plan assets could also increase pension and health care costs. Significant changes in any of these factors may adversely impact our cash flows, financial condition and results of operations.

OUR PENSION PLANS ARE CURRENTLY UNDERFUNDED,

circumstances so warrant. Any such downgrade of our credit ratings could adversely affect our cost of borrowing, limit our access to the capital markets or result in more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur.

DOWNGRADES IN THE CREDIT RATINGS OF BANKS ISSUING CERTAIN LETTERS OF CREDIT WILL INCREASE OUR COST OF MAINTAINING CERTAIN INDEBTEDNESS AND MAY RESULT IN THE ACCELERATION OF DEFERRED TAXES. We are subject to the risk that a bank with currently issued irrevocable letters of credit supporting installment notes delivered to the Company in connection with our 2006 sale of forestlands may be downgraded below a required rating. Since 2006, certain banks have fallen below the required ratings threshold and were successfully replaced, or waivers were obtained regarding their replacement. Ongoing uncertainty in the banking environment continues, including continued uncertainty with respect to whether the euro-zone will emerge from its sovereign debt crisis and the rating agencies' ongoing reassessment of bank ratings. As a result, a number of the letter-of-credit banks currently in place remain subject to risk of downgrade and the number of qualified replacement banks remains limited. The downgrade of one or more of these banks may subject the Company to additional costs of securing a replacement letter-of-credit bank or could result in an acceleration of deferred taxes if a replacement bank cannot be obtained. See Note 11 Variable Interest Entities and Preferred Securities of Subsidiaries on pages 69 through 72 of Item 8. Financial Statements and Supplementary Data for further information.

OUR PENSION AND HEALTH CARE COSTS ARE SUBJECT TO NUMEROUS FACTORS WHICH COULD CAUSE THESE COSTS TO CHANGE. We have defined benefit pension plans covering substantially all U.S. salaried employees hired prior to July 1, 2004 and substantially all hourly and union employees regardless of hire date. We provide retiree health care benefits to certain of our U.S. salaried and certain hourly employees. Our pension costs are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience. Pension plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity market returns, changes in general interest rates and changes in the number of retirees may result in

AND OVER TIME WE MAY BE REQUIRED TO MAKE CASH PAYMENTS TO THE PLANS, REDUCING THE CASH AVAILABLE FOR OUR BUSINESS. We record a liability associated with our pension plans equal to the excess of the benefit obligation over the fair value of plan assets. The benefit liability recorded under the provisions of Accounting Standards Codification (ASC) 715, "Compensation – Retirement Benefits," at December 31, 2012 was \$4.1 billion. This includes liability for the International Paper Company pension plans as well as the Temple-Inland Retirement Plan and the Temple-Inland Supplemental Executive Retirement Plan, for which we have responsibility in connection with the Temple-Inland acquisition. The amount and timing of future contributions will depend upon a number of factors, principally the actual earnings and changes in values of plan assets and changes in interest rates.

CHANGES IN INTERNATIONAL CONDITIONS COULD ADVERSELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS. Our operating results and business prospects could be substantially affected by risks related to the countries outside the United States in which we have manufacturing facilities or sell our products. Specifically, Brazil, Russia, Poland, China, and India, where we have substantial manufacturing facilities, are countries that are exposed to economic and political instability in their respective regions of the world. Downturns in economic activity, adverse tax consequences, fluctuations in the value of local currency versus the U.S. dollar, nationalization or any change in social, political or labor conditions in any of these countries or regions could negatively affect our financial results. Trade protection measures in favor of local producers of competing products, including governmental subsidies, tax benefits and other measures giving local producers a competitive advantage over International Paper, may also adversely impact our operating results and business prospects in these countries. In addition, our international operations are subject to regulation under U.S. law and other laws related to operations in foreign jurisdictions. For example, the Foreign Corrupt Practices Act prohibits U.S. companies and their representatives from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad. Failure to comply with domestic or foreign laws could result in various adverse consequences, including the

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imposition of civil or criminal sanctions and the prosecution of executives overseeing our international operations.

RISKS RELATING TO LEGAL PROCEEDINGS AND COMPLIANCE COSTS

EXPENDITURES RELATED TO THE COST OF COMPLIANCE WITH ENVIRONMENTAL, HEALTH AND SAFETY LAWS AND REQUIREMENTS COULD IMPACT OUR BUSINESS AND RESULTS OF OPERATIONS. Our operations are subject to U.S. and non-U.S. laws and regulations relating to the environment, health and safety. We have incurred, and expect that we will continue to incur, significant capital, operating and other expenditures complying with applicable environmental laws and regulations. There can be no assurance that future remediation requirements and compliance with existing and new laws and requirements, including with global climate change laws and regulations, Boiler MACT and National Ambient Air Quality Standards (NAAQSs), will not require significant expenditures, or that existing reserves for specific matters will be adequate to cover future costs. We could also incur substantial fines or

operational facility, could cease operations unexpectedly due to a number of events, including:

- fires, floods, earthquakes, hurricanes or other catastrophes;
- the effect of a drought or reduced rainfall on its water supply;
- terrorism or threats of terrorism;
- domestic and international laws and regulations applicable to our Company and our business partners, including joint venture partners, around the world;
- unscheduled maintenance outages;
- prolonged power failures;
- an equipment failure;
- a chemical spill or release;

sanctions, enforcement actions (including orders limiting our operations or requiring corrective measures), cleanup and closure costs, and third-party claims for property damage and personal injury as a result of violations of, or liabilities under, environmental laws, regulations, codes and common law. The amount and timing of environmental expenditures is difficult to predict, and, in some cases, liability may be imposed without regard to contribution or to whether we knew of, or caused, the release of hazardous substances.

RESULTS OF LEGAL PROCEEDINGS COULD HAVE A MATERIAL EFFECT ON OUR CONSOLIDATED FINANCIAL STATEMENTS. The costs and other effects of pending litigation against us cannot be determined with certainty. Although we believe that the outcome of any pending or threatened lawsuits or claims, or all of them combined, will not have a material effect on our business or consolidated financial statements, there can be no assurance that the outcome of any lawsuit or claim will be as expected.

RISKS RELATING TO OUR OPERATIONS

MATERIAL DISRUPTIONS AT ONE OF OUR MANUFACTURING FACILITIES COULD NEGATIVELY IMPACT OUR FINANCIAL RESULTS. We operate our facilities in compliance with applicable rules and regulations and take measures to minimize the risks of disruption at our facilities. A material disruption at our corporate headquarters or one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales and/or negatively impact our financial condition. Any of our manufacturing facilities, or any of our machines within an otherwise

- explosion of a boiler;
- damage or disruptions caused by third parties operating on or adjacent to one of our manufacturing facilities;
- disruptions in the transportation infrastructure, including roads, bridges, railroad tracks and tunnels;
- labor difficulties; and
- other operational problems.

Any such downtime or facility damage could prevent us from meeting customer demand for our products and/or require us to make unplanned expenditures. If one of these machines or facilities were to incur significant downtime, our ability to meet our production targets and satisfy customer requirements could be impaired, resulting in lower sales and having a negative effect on our business and financial results.

WE ARE SUBJECT TO CYBER-SECURITY RISKS RELATED TO BREACHES OF SECURITY PERTAINING TO SENSITIVE COMPANY, CUSTOMER, EMPLOYEE AND VENDOR INFORMATION AS WELL AS BREACHES IN THE TECHNOLOGY THAT MANAGES OPERATIONS AND OTHER BUSINESS PROCESSES. International Paper business operations rely upon secure information technology systems for data capture, processing, storage and reporting. Despite careful security and controls design, implementation, updating and independent third party verification, our information technology systems, and those of our third party providers, could become subject to cyber attacks. Network, system, application and data breaches could

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result in operational disruptions or information misappropriation including, but not limited to interruption to systems availability, denial of access to and misuse of applications required by our customers to conduct business with International Paper. Access to internal applications required to plan our operations, source materials, manufacture and ship finished goods and account for orders could be denied or misused. Theft of intellectual property or trade secrets, and inappropriate disclosure of confidential information, could stem from such incidents. Any of these operational disruptions and/or misappropriation of information could result in lost sales, business delays, negative publicity and could have a material effect on our business.

SEVERAL OPERATIONS ARE CONDUCTED BY JOINT VENTURES THAT WE CANNOT OPERATE SOLELY FOR OUR BENEFIT. Several operations, particularly in emerging markets, are carried on by joint ventures such as the Ilim joint venture in Russia and the recently established Orsa International Paper joint venture in Brazil. In joint ventures we share ownership and management of a company with one or more parties who may or may not have the same goals, strategies, priorities or resources as we do. In general, joint ventures are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. Operating a business as a joint venture often requires additional organizational formalities as well as time-consuming procedures for sharing information and making decisions. In joint ventures, we are required to pay more attention to our relationship with our co-owners as well as with the joint venture, and if a co-owner changes, our relationship may be adversely affected. In addition, the benefits from a successful joint venture are shared among the co-owners, so that we do not receive all the benefits from our successful joint ventures.

For example, on December 12, 2012, the Company signed an agreement to divest our Temple-Inland Building Products business unit to Georgia-Pacific LLC. Our ability to complete the transaction is subject to certain conditions, including approval of the transaction by the U.S. Department of Justice. Failure to consummate the agreed sale to Georgia-Pacific could result in significant delay in accomplishing a divestiture of Temple-Inland Building Products and inability to reach an agreement with one or more alternative purchasers on terms as favorable as the agreement with Georgia-Pacific.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

FORESTLANDS

As of December 31, 2012, the Company owned or managed approximately 327,000 acres of forestlands in Brazil, and had, through licenses and forest management agreements, harvesting rights on government-owned forestlands in Russia. All owned lands in Brazil are independently third-party certified for sustainable forestry under CERFLOR.

MILLS AND PLANTS

A listing of our production facilities by segment, the vast majority of which we own, can be found in Appendix I hereto, which is incorporated herein by reference.

The Company's facilities are in good operating condition and are suited for the purposes for which they are presently being used. We continue to study the economics of modernization or adopting

WE MAY NOT ACHIEVE THE EXPECTED BENEFITS FROM STRATEGIC ACQUISITIONS, JOINT VENTURES AND DIVESTITURES. Our strategy for long-term growth, productivity and profitability depends, in part, on our ability to accomplish prudent strategic acquisitions, joint ventures and divestitures and to realize the benefits we expect from such transactions, and are subject to the risk that we may not achieve the expected benefits. Among the benefits we expect from potential as well as recently completed acquisitions and joint ventures are synergies, cost savings, growth opportunities or access to new markets (or a combination thereof), and in the case of divestitures, the realization of proceeds from the sale of businesses and assets to purchasers placing higher strategic value on such businesses and assets than does International Paper.

other alternatives for higher cost facilities.

CAPITAL INVESTMENTS AND DISPOSITIONS

Given the size, scope and complexity of our business interests, we continually examine and evaluate a wide variety of business opportunities and planning alternatives, including possible acquisitions and sales or other dispositions of properties. You can find a discussion about the level of planned capital investments for 2013 on page 36, and dispositions and restructuring activities as of December 31, 2012, on pages 23 through 25 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and on pages 56 through 61 of Item 8. Financial Statements and Supplementary Data.

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ITEM 3. LEGAL PROCEEDINGS

Information concerning the Company's legal proceedings is set forth in Note 10 Commitments and Contingencies on pages 65 through 69 of Item 8. Financial Statements and Supplementary Data.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Dividend per share data on the Company's common stock and the high and low sales prices for the Company's common stock for each of the four quarters in 2012 and 2011 are set forth on page 88 of Item 8. Financial Statements and Supplementary Data. As of

the filing of this Annual Report on Form 10-K, the Company's common shares are traded on the New York Stock Exchange. International Paper options are traded on the Chicago Board of Options Exchange. As of February 21, 2013, there were approximately 16,026 record holders of common stock of the Company.

The table below presents information regarding the Company's purchase of its equity securities for the time periods presented.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2012 - October 31, 2012	377	\$35.83	N/A	N/A
Total	377			

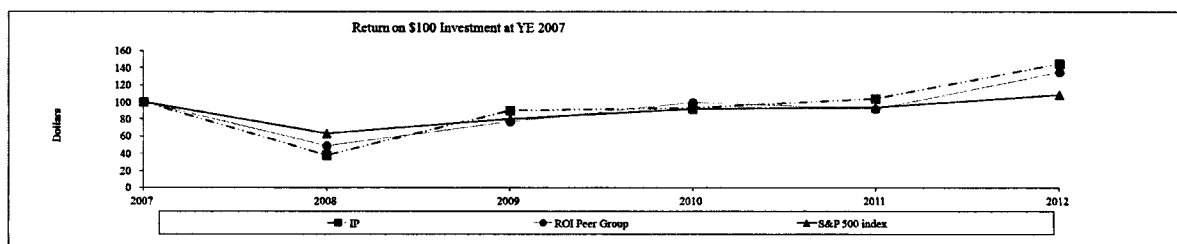
(a) Shares acquired from employees from share withholdings to pay income taxes under the Company's restricted stock programs.

No activity occurred in November or December.

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PERFORMANCE GRAPH

The performance graph shall not be deemed to be "soliciting material" or to be "filed" with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act of 1934, as amended.

The following graph compares a \$100 investment in Company stock on December 30, 2007 with a \$100 investment in our ROI Peer Group and the S&P 500 also made at market close on December 30, 2007. The graph portrays total return, 2007–2012, assuming reinvestment of dividends.



- (1) The companies included in the ROI Peer Group are Boise, Inc., Domtar Inc., Fibria Celulose S.A., Klabin S.A., MeadWestvaco Corp., Metsa Board Corporate, Mondi Group, Packaging Corporation of America, Rock-Tenn Company, Smurfit Kappa Group, Stora Enso Group, and UPM-Kymmene Corp.
- (2) Boise, Inc., Mondi Group and Smurfit Kappa Group became publicly traded companies in June 2007 (Boise, Inc. and Mondi Group) and March 2007 (Smurfit Kappa). Their results are included in the ROI peer group beginning in 2008.

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ITEM 6. SELECTED FINANCIAL DATA**FIVE-YEAR FINANCIAL SUMMARY (a)**

Dollar amounts in millions, except per share amounts and stock prices

	2012	2011	2010	2009	2008
RESULTS OF OPERATIONS					
Net sales	\$ 27,833	\$ 26,034	\$ 25,179	\$ 23,366	\$ 24,829

Costs and expenses, excluding interest	26,137	24,035	23,749	21,498	25,490
Earnings (loss) from continuing operations before income taxes and equity earnings	1,024 (b)	1,458 (e)	822 (h)	1,199 (j)	(1,153) (l)
Equity earnings (loss), net of taxes	61	140	111	(26)	6
Discontinued operations, net of taxes	45 (c)	49 (f)	—	—	(13) (m)
Net earnings (loss)	799 (b-d)	1,336 (e-g)	712 (h-i)	704 (j-k)	(1,322) (l-n)
Noncontrolling interests, net of taxes	5	14	21	18	3
Net earnings (loss) attributable to International Paper Company	794 (b-d)	1,322 (e-g)	691 (h-i)	686 (j-k)	(1,325) (l-n)
FINANCIAL POSITION					
Working capital	\$ 3,907	\$ 5,718	\$ 3,525	\$ 3,539	\$ 2,605
Plants, properties and equipment, net	13,949	11,817	12,002	12,688	14,202
Forestlands	622	660	747	757	594
Total assets	32,153	27,018	25,409	25,543	26,804
Notes payable and current maturities of long-term debt	444	719	313	304	828
Long-term debt	9,696	9,189	8,358	8,729	11,246
Total shareholders' equity	6,304	6,645	6,875	6,018	4,060
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS					
Earnings (loss) from continuing operations	\$ 1.72	\$ 2.95	\$ 1.61	\$ 1.61	\$ (3.12)
Discontinued operations	0.10	0.11	—	—	(0.03)
Net earnings (loss)	1.82	3.06	1.61	1.61	(3.15)
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS					
Earnings (loss) from continuing operations	\$ 1.70	\$ 2.92	\$ 1.59	\$ 1.61	\$ (3.12)
Discontinued operations	0.10	0.11	—	—	(0.03)
Net earnings (loss)	1.80	3.03	1.59	1.61	(3.15)
Cash dividends	1.0875	0.9750	0.400	0.325	1.00
Total shareholders' equity	14.33	15.21	15.71	13.90	9.50
COMMON STOCK PRICES					
High	\$ 39.88	\$ 33.01	\$ 29.25	\$ 27.79	\$ 33.77
Low	27.29	21.55	19.33	3.93	10.20
Year-end	39.84	29.60	27.24	26.78	11.80
FINANCIAL RATIOS					
Current ratio	1.8	2.2	1.8	1.9	1.5
Total debt to capital ratio	0.62	0.60	0.56	0.60	0.75
Return on shareholders' equity	11.6% (b-d)	17.9% (e-g)	11.4% (h-i)	14.1% (j-k)	(15.4)% (l-n)
Return on investment from continuing operations attributable to International Paper Company	4.8% (b-d)	7.5% (e-g)	5.3% (h-i)	5.1% (j-k)	(4.2)% (l-n)
CAPITAL EXPENDITURES	\$ 1,383	\$ 1,159	\$ 775	\$ 534	\$ 1,002
NUMBER OF EMPLOYEES	70,000	61,500	59,500	56,100	61,700

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FINANCIAL GLOSSARY**Current ratio—**

current assets divided by current liabilities.

Total debt to capital ratio—

long-term debt plus notes payable and current maturities of

Inland Building Products business and the operating results of the Temple-Inland Building Products business.

(d) Includes a net tax expense of \$14 million related to internal restructurings and a \$5 million expense to adjust deferred tax assets related to post-retirement prescription

long-term debt divided by long-term debt, notes payable and current maturities of long-term debt and total shareholders' equity.

Return on shareholders' equity—

net earnings attributable to International Paper Company divided by average shareholders' equity (computed monthly).

Return on investment—

the after-tax amount of earnings from continuing operations before interest divided by the average of total assets minus accounts payable and accrued liabilities (computed monthly).

FOOTNOTES TO FIVE-YEAR FINANCIAL SUMMARY

- (a) All periods presented have been restated to reflect the Kraft Papers, Brazilian Coated Papers, Beverage Packaging, and Wood Products businesses as discontinued operations, if applicable.

2012:

- (b) Includes restructuring and other charges of \$109 million before taxes (\$70 million after taxes) including pre-tax charges of \$48 million (\$30 million after taxes) for early debt extinguishment costs, pre-tax charges of \$44 million (\$28 million after taxes) for costs associated with the restructuring of the Company's xpedx operations, and pre-tax charges of \$17 million (\$12 million after taxes) for costs associated with the restructuring of the Company's Packaging business in Europe. Also included are a pre-tax charge of \$20 million (\$12 million after taxes) related to the write-up of the Temple-Inland inventories to fair value, pre-tax charges of \$164 million (\$108 million after taxes) for integration costs associated with the acquisition of Temple-Inland, a pre-tax charge of \$62 million (\$38 million after taxes) to adjust the long-lived assets of the Hueneme mill in Oxnard, California to their fair value in anticipation of its divestiture, and pre-tax charges of \$29 million (\$55 million after taxes) for costs associated with the divestiture of three containerboard mills.
- (c) Includes pre-tax charges of \$15 million (\$9 million after taxes) for expenses associated with pursuing the divestiture of the Temple-

drug coverage (Medicare Part D reimbursement).

2011:

- (e) Includes restructuring and other charges of \$102 million before taxes (\$90 million after taxes) including pre-tax charges of \$49 million (\$34 million after taxes) for costs associated with the restructuring of the Company's xpedx operations, pre-tax charges of \$32 million (\$19 million after taxes) for early debt extinguishment costs, pre-tax charges of \$18 million (\$12 million after taxes) for costs associated with the acquisition of a majority share of Andhra Pradesh Paper Mills Limited in India, pre-tax charges of \$20 million (\$12 million after taxes) for costs associated with signing an agreement to acquire Temple-Inland, and a pre-tax gain of \$24 million (\$15 million after taxes) related to the reversal of environmental and other reserves due to the announced repurposing of a portion of the Franklin mill. Also included are a pre-tax charge of \$27 million (\$17 million after taxes) for an environmental reserve related to the Company's property in Cass Lake, Minnesota, a pre-tax charge of \$129 million (\$104 million after taxes) for a fixed-asset impairment of the North American Shorewood business, pre-tax charges of \$78 million (a gain of \$143 million after taxes) to reduce the carrying value of the Shorewood business based on the terms of the definitive agreement to sell this business, and a charge of \$11 million (before and after taxes) for asset impairment costs associated with the Inverurie, Scotland mill which was closed in 2009.
- (f) Includes a pre-tax gain of \$50 million (\$30 million after taxes) for an earnout provision related to the sale of the Company's Kraft Papers business completed in January 2007. Also, the Company sold its Brazilian Coated Paper business in the third quarter 2006. Local country tax contingency reserves were included in the business' operating results in 2005 and 2006 for which the related statute of limitations has expired. The reserves were reversed and a tax benefit of \$15 million plus associated interest income of \$6 million (\$4 million after taxes) was recorded.

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- (g) Includes a tax benefit of \$222 million related to the reduction of the carrying value of the Shorewood business and the write-off of a deferred tax liability associated with Shorewood, a \$24 million tax expense related to internal restructurings, a \$9 million tax expense for costs associated with our acquisition of a majority share of Andhra Pradesh Paper Mills Limited in India, a \$13 million tax benefit related to the release of a deferred tax asset valuation allowance, and a \$2 million tax expense for other items.

2010:

- (h) Includes restructuring and other charges of \$394 million before taxes (\$242 million after taxes) including pre-tax charges of \$315 million (\$192 million after taxes) for shutdown costs related to the Franklin, Virginia mill, a pre-tax charge of \$35 million (\$21 million after taxes) for early debt extinguishment costs, pre-tax charges of \$7 million (\$4 million after taxes) for closure costs related to the Bellevue, Washington container plant, a pre-tax charge of

the Valliant, Oklahoma mill, a pre-tax charge of \$148 million (\$92 million after taxes) for severance and benefit costs associated with the Company's 2008 overhead cost reduction initiative, a pre-tax charge of \$185 million (\$113 million after taxes) for early debt extinguishment costs, a pre-tax charge of \$23 million (\$28 million after taxes) for closure costs associated with the Inverurie, Scotland mill, and a charge of \$31 million, before and after taxes, for severance and other costs associated with the planned closure of the Etienne mill in France, and a pre-tax charge of \$23 million (\$14 million after taxes) for other items. Also included are a pre-tax gain of \$2.1 billion (\$1.4 billion after taxes) related to alternative fuel mixture credits, a pre-tax charge of \$87 million (\$54 million after taxes) for integration costs associated with the CBPR acquisition, a charge of \$56 million to write down the assets at the Etienne mill in France to estimated fair value.

- (k) Includes a \$156 million tax expense for the write-off of deferred tax assets in France, a \$15 million tax expense for the write-off of a deferred tax asset for a recycling

\$11 million (\$7 million after taxes) for an Ohio Commercial Activity tax adjustment, a pre-tax charge of \$6 million (\$4 million after taxes) for severance and benefit costs associated with the Company's S&A reduction initiative, and a pre-tax charge of \$8 million (\$5 million after taxes) for costs associated with the reorganization of the Company's Shorewood operations. Also included are a pre-tax charge of \$18 million (\$11 million after taxes) for an environmental reserve related to the Company's property in Cass Lake, Minnesota, and a pre-tax gain of \$25 million (\$15 million after taxes) related to the partial redemption of the Company's interests in Arizona Chemical.

- (i) Includes tax expense of \$14 million and \$32 million for tax adjustments related to incentive compensation and Medicare Part D deferred tax write-offs, respectively, and a \$40 million tax benefit related to cellulosic bio-fuel tax credits.

2009:

- (j) Includes restructuring and other charges of \$1.4 billion before taxes (\$853 million after taxes), including pre-tax charges of \$469 million (\$286 million after taxes), \$290 million (\$177 million after taxes), and \$102 million (\$62 million after taxes) for shutdown costs for the Albany, Oregon, Franklin, Virginia and Pineville, Louisiana mills, respectively, a pre-tax charge of \$82 million (\$50 million after taxes) for costs related to the shutdown of a paper machine at

credit in the state of Louisiana and a \$26 million tax benefit related to the settlement of the 2004 and 2005 U.S. federal income tax audit and related state income tax effects.

2008:

- (l) Includes restructuring and other charges of \$370 million before taxes (\$227 million after taxes), including a pre-tax charge of \$123 million (\$75 million after taxes) for shutdown costs for the Bastrop, Louisiana mill, a pre-tax charge of \$30 million (\$18 million after taxes) for the shutdown of a paper machine at the Franklin, Virginia mill, a charge of \$53 million before taxes (\$32 million after taxes) for severance and related costs associated with the Company's 2008 overhead cost reduction initiative, a charge of \$75 million before taxes (\$47 million after taxes) for adjustments to legal reserves, a pre-tax charge of \$30 million (\$19 million after taxes) for costs associated with the reorganization of the Company's Shorewood operations, a pre-tax charge of \$53 million (\$33 million after taxes) to write off deferred supply chain initiative development costs for U.S. container operations that were not implemented due to the CBPR acquisition, a charge of \$8 million before taxes (\$5 million after taxes) for closure costs associated with the Ace Packaging business, and a gain of \$2 million, before and after taxes, for adjustments to previously recorded reserves and other

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charges associated with the Company's 2006 Transformation Plan. Also included are a charge of \$1.8 billion, before and after taxes, for the impairment of goodwill in the Company's U.S. Printing Papers and U.S. and European Coated Paperboard businesses, a pre-tax charge of \$107 million (\$84 million after taxes) to write down the assets of the Inverurie, Scotland mill to estimated fair value, a pre-tax gain of \$6 million (\$4 million after taxes) for adjustments to estimated transaction costs accrued in connection with the 2006 Transformation Plan forestland sales, a \$39 million charge before taxes (\$24 million after taxes) relating to the write-up of inventory to fair value in connection with the CBPR acquisition, and a \$45 million charge before taxes (\$28 million after taxes) for integration costs associated with the CBPR acquisition.

- (m) Includes a pre-tax charge of \$25 million (\$16 million after taxes) for the settlement of a post-closing adjustment on the sale of the Beverage Packaging business, pre-tax gains of \$9 million (\$5 million after taxes) for adjustments to reserves associated with the sale of discontinued businesses, and the operating results of certain wood products facilities.
- (n) Includes a \$40 million tax benefit related to the restructuring of the Company's international operations.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

our global operations, as the performance of our mills more than offset ramp-up costs associated with the Franklin fluff pulp mill

EXECUTIVE SUMMARY

Operating Earnings (a non-GAAP measure) is defined as net earnings from continuing operations (a GAAP measure) excluding special items and non-operating pension expense. International Paper generated Operating Earnings per diluted share attributable to common shareholders of \$2.65 in 2012, compared with \$3.12 in 2011, and \$2.30 in 2010. Diluted earnings (loss) per share attributable to common shareholders were \$1.80 in 2012, compared with \$3.03 in 2011 and \$1.59 in 2010.

International Paper delivered strong results during 2012 despite challenging global economic conditions, and generated record cash flow from operations of \$3 billion. Our results were primarily driven by the Temple-Inland acquisition and associated integration synergies that exited the year at a run rate above our first-year plan. We also divested three mills required as a condition to close the Temple-Inland acquisition and announced an agreement to divest the building products business acquired with Temple-Inland. These divestitures combined will generate more than \$1.2 billion of cash once the building products divestiture closes.

Our global operations continued to execute well and deliver on our cost management objectives, contributing to another year of generating returns above our cost of capital. We reduced our balance sheet debt by \$1.9 billion since the Temple-Inland acquisition closed and increased our annual dividend by 14% to \$1.20 per share. We also made significant progress on our strategic and cost-reduction projects, including the Franklin fluff pulp mill conversion, the biomass boiler at our Mogi Guacu mill in Brazil, and our new coated paperboard machine in China, among others. We also finalized two acquisitions in Turkey and Brazil during the 2013 first quarter that were announced in 2012. We believe these strategic and cost-saving projects position International Paper well for a step-change in earnings in 2013.

Summarizing our 2012 operations, the Temple-Inland acquisition built a strong foundation for steadily improving, as well as less cyclical, earnings going forward. The acquisition and impressive integration were meaningfully earnings accretive in less than twelve months. While the slower global growth environment took its toll on pricing in pulp, consumer grades and export shipments across all our product lines, the worst seems to be behind us as pulp markets have stabilized and rebounded from the bottom and export markets in containerboard have recovered in the second half of the year. It was another year of excellent execution across

conversion and the coated paperboard machine start-up at our IP-Sun joint venture in China. Lower average input costs helped us offset the absence of significant favorable inventory valuation adjustments that we experienced in 2011.

Looking ahead to the first quarter of 2013, we expect seasonally weaker volume in our Europe-Russia and Brazil papers businesses and stable demand across our North American businesses. We expect the full benefit of our 2012 fourth quarter North American box price increase to be realized during the 2013 first quarter, but it will be partially offset by unfavorable seasonal mix issues in Brazil. Operationally, we should see the impact of improved performance across our mill businesses as supply chain conditions improve and one-time unfavorable issues from the 2012 fourth quarter do not repeat. Further, lower costs at Franklin and the full impact of the biomass boiler in Brazil should provide additional earnings momentum. As to input costs, we expect higher costs for recycled fiber, wood and energy. The 2013 first quarter will be another heavy maintenance outage quarter with only a modest decrease in expenses expected.

For the 2013 full year, our outlook for end-use demand is based on global economic growth of three to four percent and growth in the U.S. of one to two percent. Our largest lever this year is the trajectory of our North American industrial packaging business, with year-over-year earnings improvement due to pricing and continued system optimization. Further, the ramp-up of our many strategic and cost saving projects during the course of the year is expected to drive significant incremental earnings in 2013 versus 2012. We do, however, expect higher input costs, primarily associated with fiber and energy, and an unfavorable impact associated with the lost earnings and incremental containerboard purchases from the divested mills.

Free cash flow (a non-GAAP measure) of \$1.6 billion generated in 2012 was lower than the \$1.7 billion generated in both 2011 and 2010 (see reconciliation on page 33).

Operating Earnings per share attributable to common shareholders of \$0.69 in the fourth quarter of 2012 were lower than both the \$0.81 in the 2012 third quarter and the \$0.73 in the 2011 fourth quarter. Diluted earnings (loss) per share attributable to common shareholders were \$0.53 in the fourth quarter of 2012, compared with \$0.54 in the third quarter of 2012 and \$0.65 in the fourth quarter of 2011.

Free cash flow of \$384 million generated in the 2012 fourth quarter was lower than the \$567 million generated in the 2012 third quarter but slightly higher than the \$328 million

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generated in the 2011 fourth quarter (see reconciliation on page 33).

Operating Earnings is a non-GAAP measure. Diluted earnings (loss) per share attributable to International Paper Company common shareholders is the most direct comparable GAAP measure. The Company calculates Operating Earnings by excluding the after-tax effect of items considered by management to be unusual from the earnings reported under GAAP, and non-operating pension expense. Management uses this measure to focus on on-going operations, and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results. The Company believes that using this information, along with the most direct comparable GAAP measure, provides for a more complete analysis of the results of operations. The following are

	Three Months Ended December 31, 2012		Three Months Ended September 30, 2012		Three Months Ended December 31, 2011	
Operating Earnings (Loss) Per Share Attributable to Shareholders	\$	0.69	\$	0.81	\$	0.73
Non-operating pension expense		(0.07)		(0.06)		(0.01)
Restructuring and other charges		(0.08)		(0.13)		(0.03)

reconciliations of Operating Earnings per share attributable to International Paper Company common shareholders to diluted earnings (loss) per share attributable to International Paper Company common shareholders.

	2012	2011	2010
Operating Earnings (Loss) Per Share Attributable to Shareholders	\$ 2.65	\$ 3.12	\$ 2.30
Non-operating pension expense	(0.26)	(0.06)	(0.14)
Restructuring and other charges	(0.45)	(0.19)	(0.59)
Net gains (losses) on sales and impairments of businesses	(0.20)	0.08	0.03
Interest income	—	0.01	—
Income tax adjustments	(0.04)	(0.06)	(0.01)
Bargain purchase price adjustment	—	0.02	—
Diluted Earnings (Loss) Per Share from Continuing Operations	1.70	2.92	1.59
Discontinued operations	0.10	0.11	—
Diluted Earnings (Loss) Per Share Attributable to Shareholders	\$ 1.80	\$ 3.03	\$ 1.59

Net gains (losses) on sales and impairments of businesses	0.01	(0.11)	—
Interest income	—	—	0.01
Income tax adjustments	(0.04)	—	(0.05)
Diluted Earnings (Loss) Per Share from Continuing Operations	0.51	0.51	0.65
Discontinued operations	0.02	0.03	—
Diluted Earnings (Loss) Per Share Attributable to Shareholders	\$ 0.53	\$ 0.54	\$ 0.65

Results of Operations

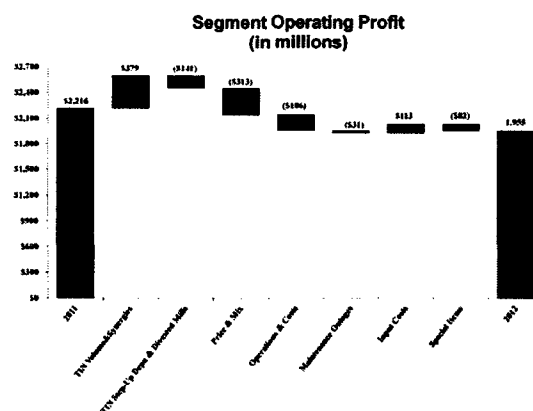
Industry segment operating profits are used by International Paper's management to measure the earnings performance of its businesses. Management believes that this measure allows a better understanding of trends in costs, operating efficiencies, prices and volumes. Industry segment operating profits are defined as earnings before taxes, equity earnings, noncontrolling interests, interest expense, corporate items and corporate special items. Industry segment operating profits are defined by the Securities and Exchange Commission as a non-GAAP financial measure, and are not GAAP alternatives to net income or any other operating measure prescribed by accounting principles generally accepted in the United States.

International Paper operates in four segments: Industrial Packaging, Printing Papers, Consumer Packaging and Distribution. Effective January 1, 2011, the Forest Products Business is no longer being reported by the Company as a separate industry segment due to the immateriality of the results of the remaining business on the Company's consolidated financial statements.

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The following table presents a reconciliation of net earnings (loss) attributable to International Paper Company to its total industry segment operating profit:

In millions	2012	2011	2010
Net Earnings (Loss) Attributable to International Paper Company	\$ 794	\$ 1,322	\$ 691
Deduct – Discontinued operations:			
(Earnings) from operations	(54)	—	—
(Gain) loss on sales or impairment	9	(49)	—
Earnings (Loss) From Continuing Operations Attributable to International Paper Company	749	1,273	691
Add back (deduct):			
Income tax provision	331	311	221
Equity (earnings) loss, net of taxes	(61)	(140)	(111)
Net earnings attributable to			



The principal changes in operating profit by segment were as follows:

noncontrolling interests	5	14	21
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	1,024	1,458	822
Interest expense, net	672	541	608
Noncontrolling interests / equity earnings included in operations	—	(10)	(15)
Corporate items	51	102	142
Special items:			
Restructuring and other charges	51	82	70
Net losses (gains) on sales and impairments of businesses	(2)	—	(25)
Non-Operating Pension Expense	\$ 159	\$ 43	\$ 84
	\$ 1,955	\$ 2,216	\$ 1,686
Industry Segment Operating Profit			
Industrial Packaging	\$ 1,066	\$ 1,147	\$ 826
Printing Papers	599	872	481
Consumer Packaging	268	163	207
Distribution	22	34	78
Forest Products	—	—	94
Total Industry Segment Operating Profit	\$ 1,955	\$ 2,216	\$ 1,686

Industry segment operating profits of \$2.0 billion in 2012 included a net loss from special items of \$335 million compared with \$253 million in 2011 and \$344 million in 2010. Operationally, compared with 2011, the impacts of Temple-Inland volumes and synergies (\$379 million) and lower input costs (\$113 million) were offset by higher costs associated with Temple-Inland step-up depreciation and the impact of divesting three containerboard mills (\$141 million), lower average sales price realizations and an unfavorable mix (\$313 million), higher operating costs (\$186 million) and higher mill maintenance outage costs (\$31 million).

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realizations and a less favorable product mix, lower sales volumes and higher market-related downtime, and higher operating expenses. Operating profits in 2011 included costs of \$201 million associated with the fixed asset impairment and sale of the Shorewood business.

- Distribution's profits of \$22 million were \$12 million lower than 2011. Higher sales price realizations and lower operating costs were more than offset by lower sales volumes. Reorganization expenses were \$49 million in 2012 and \$52 million in 2011.

Corporate items, net, of \$51 million of expense in 2012 were lower than the \$102 million of expense in 2011 due to lower supply chain initiative expenses. The decrease in 2011 from 2010 primarily reflects lower supply chain initiative expenses.

Corporate special items, including restructuring and other items and net losses on sales and impairments of businesses were a loss of \$49 million in 2012 compared with a loss of \$76 million in 2011 and a loss of \$45 million in 2010.

Interest expense, net, was \$672 million in 2012 compared with \$541 million in 2011 and \$608 million in 2010. The increase in 2012 reflects higher interest expense associated with the Temple-Inland acquisition, while the decrease in 2011 reflects lower debt levels throughout much of the year.

A net income tax provision of \$331 million was recorded for 2012,

- Industrial Packaging's profits of \$1.1 billion were \$81 million higher as the benefits of Temple-Inland sales volumes and synergies and lower input costs were partially offset by additional costs associated with Temple-Inland step-up depreciation and the impact of the divestiture of three containerboard mills, lower average sales price realizations and unfavorable mix, higher operating costs and higher maintenance outage costs. In addition, 2012 operating profits included \$184 million of costs associated with the integration of Temple-Inland, a \$62 million charge to adjust the long-lived assets of the Hueneme mill to their fair value, and \$29 million of costs associated with the divestiture of three containerboard mills. Operating profits in 2011 included \$20 million of costs associated with the signing of an agreement to purchase Temple-Inland.
- Printing Papers' profits of \$599 million were \$273 million lower than in 2011. The benefits of higher sales volumes were more than offset by lower sales price realizations, higher operating costs, higher maintenance outage costs, higher raw material and freight costs and other items. Operating profits in 2011 included a gain of \$21 million related to the reversal of environmental reserves due to the announced repurposing of the Franklin, Virginia mill and \$11 million of asset impairment costs associated with the Inverurie, Scotland mill which was closed in 2009.
- Consumer Packaging's profits of \$268 million, were \$105 million higher than in 2011. The benefits from lower raw material and freight costs, lower maintenance outage costs and lower other items were more than offset by lower sales price

tax expenses associated with pursuing the divestiture of this business were included.

In 2011, \$49 million of net income adjustments were recorded relating to prior sales of discontinued businesses.

Liquidity and Capital Resources

For the year ended December 31, 2012, International Paper generated \$3.0 billion of cash flow from continuing operations compared with \$2.7 billion in 2011. Capital spending for 2012 totaled \$1.4 billion, or 93% of depreciation and amortization expense. Cash expenditures for acquisitions totaled \$3.7 billion, while net decreases in debt totaled \$356 million. Our liquidity position remains strong, supported by approximately \$2.5 billion of committed credit facilities that we believe are adequate to meet future liquidity requirements. Maintaining an investment-grade credit rating for our long-term debt continues to be an important element in our overall financial strategy.

We expect to generate strong free cash flow again in 2013 and will continue our balanced use of cash through investments in capital projects, the reduction of total debt, including the Company's unfunded pension obligation, returning value to shareholders and strengthening our businesses through acquisitions, as appropriate.

Capital spending for 2013 is targeted at \$1.4 billion, or about 93%

including a net expense of \$14 million related to internal restructurings and an expense of \$5 million to adjust deferred tax assets related to post-retirement prescription drug coverage (Medicare Part D reimbursements). The 2011 income tax provision of \$311 million includes a tax benefit of \$222 million related to the reduction of the carrying value of the Shorewood business and the write-off of a deferred tax liability associated with Shorewood, a \$24 million expense related to internal restructurings, a \$9 million expense for costs associated with our acquisition of a majority interest in Andhra Pradesh Paper Mills Limited, a \$13 million benefit related to the release of a deferred tax asset valuation allowance and a \$2 million expense for other items. The 2010 income tax provision of \$221 million includes a \$14 million tax expense for an incentive compensation deferred tax write-off, a \$32 million tax expense for a Medicare Part D deferred tax write-off and a \$40 million net tax benefit related to cellulosic bio-fuel credits.

Discontinued Operations

In 2012, \$54 million of operating profits for the Temple-Inland Building Products business were recorded in discontinued operations. In addition, \$9 million of after-

of depreciation and amortization.

Critical Accounting Policies and Significant Accounting Estimates

Accounting policies that may have a significant effect on our reported results of operations and financial position, and that can require judgments by management in their application, include accounting for contingent liabilities, impairments of long-lived assets and goodwill, pension and postretirement benefit obligations, stock options and income taxes. See pages 38 through 41 for a discussion of the Company's critical accounting policies and significant accounting estimates.

Legal

See Note 10 Commitments and Contingent Liabilities on pages 65 through 69 of Item 8. Financial Statements and Supplementary Data for a discussion of legal matters.

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CORPORATE OVERVIEW

While the operating results for International Paper's various business segments are driven by a number of business-specific factors, changes in International Paper's operating results are closely tied to changes in general economic conditions in North America, Europe, Russia, Latin America, Asia and North Africa. Factors that impact the demand for our products include industrial non-durable goods production, consumer spending, commercial printing and advertising activity, white-collar employment levels, and movements in currency exchange rates.

Product prices are affected by general economic trends, inventory levels, currency movements and worldwide capacity utilization. In addition to these revenue-related factors, net earnings are impacted by various cost drivers, the more significant of which include changes in raw material costs, principally wood, recycled fiber and chemical costs; energy costs; freight costs; salary and benefits costs, including pensions; and manufacturing conversion costs.

The following is a discussion of International Paper's results of operations for the year ended December 31, 2012, and the major factors affecting these results compared to 2011 and 2010.

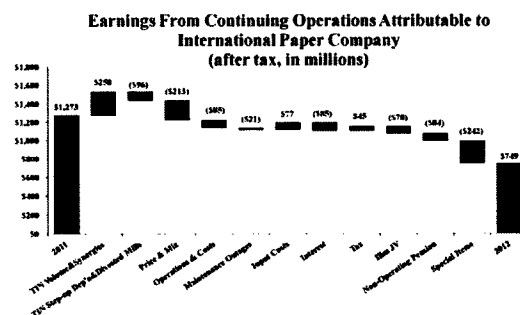
RESULTS OF OPERATIONS

For the year ended December 31, 2012, International Paper reported net sales of \$27.8 billion, compared with \$26.0 billion in 2011 and \$25.2 billion in 2010. International net sales (including U.S. exports) totaled \$8.5 billion or 31% of total sales in 2012. This compares with international net sales of \$8.7 billion in 2011 and \$7.5 billion in 2010.

Full year 2012 net earnings attributable to International Paper Company totaled \$794 million (\$1.80 per share), compared with net earnings of \$1.3 billion (\$3.03 per share) in 2011 and \$691 million (\$1.59 per share) in 2010. 2012 and 2011 amounts include the results of discontinued operations.

Earnings from continuing operations attributable to International Paper Company after taxes in 2012 were \$749 million, including \$305 million of net special items charges and \$113 million of non-

containerboard mills, lower average sales price realizations and unfavorable mix, higher operating costs, higher maintenance outage costs and higher interest expense. In addition, 2012 results included lower equity earnings, net of taxes, relating to the Company's investment in Ilim Holdings, SA.



See Industry Segment Results on pages 27 through 32 for a discussion of the impact of these factors by segment.

Discontinued Operations

2012:

In 2012, \$45 million of net income adjustments were recorded relating to discontinued businesses, including \$9 million of costs associated with the announced agreement to sell the Temple-Inland Building Products business. Also included are the operating profits for the Temple-Inland Building Products business.

2011:

In 2011, \$49 million of net income adjustments were recorded relating to prior sales of discontinued businesses, including a \$30 million earnout payment received by the Company in 2011 associated with the sale of the Kraft Papers businesses in 2007 and a \$15 million tax benefit for the reversal of local country tax contingency reserves, for which the related statute of limitations has now expired, plus associated interest income of \$4 million

operating pension expense compared with income of \$1.3 billion, including \$63 million of net special items charges and \$29 million of non-operating pension expense in 2011, and \$691 million, including \$246 million of net special items charges and \$59 million of non-operating pension expense in 2010. Compared with 2011, benefits from Temple-Inland synergies, lower input costs and lower income tax expense were more than offset by higher costs associated with Temple-Inland step-up depreciation and the impact of the divestiture of three

recorded in 2011 related to the 2006 sale of the Brazilian Coated Papers business.

Income Taxes

A net income tax provision of \$331 million was recorded for 2012, including a net tax expense of \$14 million related to internal restructurings and a \$5 million expense to adjust deferred tax assets related to post-retirement prescription drug coverage (Medicare Part D reimbursements). Excluding these items and the tax effect of other special items, the tax provision was \$410 million, or 29% of pre-tax earnings before equity earnings.

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A net income tax provision of \$311 million was recorded for 2011, including a tax benefit of \$222 million related to the reduction of the carrying value of the Shorewood business and the write-off of a deferred tax liability associated with Shorewood, a \$24 million expense related to internal restructurings, a \$9 million expense for costs associated with our acquisition of a majority share of Andhra Pradesh Paper Mills Limited in India, a \$13 million benefit related to the release of a deferred tax asset valuation allowance, and a \$2 million expense for other items. Excluding these items and the tax effect of other special items, the tax provision was \$577 million, or 32% of pre-tax earnings before equity earnings.

A net income tax provision of \$221 million was recorded for 2010, including a \$14 million tax expense and a \$32 million tax expense for incentive compensation and Medicare Part D deferred tax write-offs, respectively, and a net \$40 million tax benefit related to cellulosic bio-fuel tax credits. See discussion on pages 33 and 34. Excluding these items and the tax effect of other special items, the tax provision was \$364 million, or 30% of pre-tax earnings before equity earnings.

Equity Earnings, Net of Taxes

Equity earnings, net of taxes in 2012, 2011 and 2010 consisted principally of the Company's share of earnings from its 50% investment in Ilim Holding S.A. in Russia (see page 32).

Corporate Items and Interest Expense

Corporate items totaled \$51 million of expense for the year ended December 31, 2012 compared with \$102 million in 2011 and \$142 million in 2010. The decrease in 2012 from 2011 reflects lower supply chain initiative expenses. The decrease in 2011 from 2010 reflects lower supply chain initiative expenses.

Net interest expense totaled \$672 million in 2012, \$541 million in 2011 and \$608 million in 2010. The increase in 2012 compared with 2011 is due to interest expense associated with the Temple-Inland acquisitions. The decrease in 2011 compared with 2010 reflects lower average debt levels.

Net earnings attributable to noncontrolling interests totaled \$5 million in 2012 compared with \$14 million in 2011 and \$21 million in 2010. The decrease in 2012 primarily reflects lower earnings for the Shandong IP & Sun Food Packaging Co., Ltd. joint venture in China due to start-up costs associated with a new paper machine. The decrease in 2011 reflects lower earnings for Shorewood Mexico due to the impairment of the business' fixed assets.

Special Items

Restructuring and Other Charges

International Paper continually evaluates its operations for improvement opportunities targeted to (a) focus our portfolio on our core businesses, (b) rationalize and realign capacity to operate fewer facilities with the same revenue capability and close high cost facilities, and (c) reduce costs. Annually, strategic operating plans are developed by each of our businesses. If it subsequently becomes apparent that a facility's plan will not be achieved, a decision is then made to (a) invest additional capital to upgrade the facility, (b) shut down the facility and record the corresponding charge, or (c) evaluate the expected recovery of the carrying value of the facility to determine if an impairment of the asset value of the facility has occurred. In recent years, this policy has led to the shutdown of a number of facilities and the recording of significant asset impairment charges and severance costs. It is possible that additional charges and costs will be incurred in future periods in our core businesses should such triggering events occur.

2012: During 2012, corporate restructuring and other charges totaling \$51 million before taxes (\$35 million after taxes) were recorded. These charges included:

- a \$48 million charge before taxes (\$30 million after taxes) for costs related to the early extinguishment of debt (see Note 12 Debt and Lines of Credit on pages 72 and 73 of Item 8. Financial Statements and Supplementary Data), and
- a \$3 million charge before taxes (\$5 million after taxes) for other items.

In addition, restructuring and other charges totaling \$58 million before taxes (\$39 million after taxes) were recorded in the Industrial Packaging and Distribution industry segments including:

- a \$17 million charge before taxes (\$12 million after taxes) related to the restructuring of our Packaging business in Europe,
- a \$44 million charge before taxes (\$28 million after taxes) for restructuring costs related to the Company's xpedx business, and
- a \$3 million gain before taxes (\$1 million after taxes) for other items.

2011: During 2011, corporate restructuring and other charges totaling \$55 million before taxes (\$33 million after taxes) were recorded. These charges included:

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- a \$32 million charge before taxes (\$19 million after taxes) for costs related to the early extinguishment of debt (see Note 12 Debt and Lines of Credit on pages 72 and 73 of Item 8. Financial Statements and Supplementary Data),
- an \$18 million charge before taxes (\$12 million after taxes) related to International Paper's acquisition of a majority share of APPM in India, and
- a \$5 million charge before taxes (\$2 million after taxes) for other items.

In addition, restructuring and other charges totaling \$47 million before taxes (\$33 million after taxes) were recorded in the Industrial Packaging, Printing Papers, Consumer Packaging and Distribution industry segments including:

- a \$20 million charge before taxes (\$12 million after taxes) for costs associated with the signing of an agreement to acquire Temple-Inland,
- a \$24 million gain before taxes (\$15 million after taxes) related to a change in the estimate of closure costs related to the Franklin, Virginia mill due to the Company's decision to repurpose a portion of the mill to produce fluff pulp,
- a \$49 million charge before taxes (\$34 million after taxes) for restructuring costs related to the Company's xpedx business, and
- a \$2 million charge before taxes (\$2 million after taxes) for other items.

2010: During 2010, corporate restructuring and other charges totaling \$52 million before taxes (\$32 million after taxes) were recorded. These charges included:

- a \$35 million charge before taxes (\$21 million after taxes) for costs related to the early extinguishment of debt (see Note 12 Debt and Lines of Credit on pages 72 and 73 of Item 8. Financial Statements and Supplementary Data),
- an \$11 million charge before taxes (\$7 million after taxes) related to the write-off of an Ohio commercial activity tax receivable, and
- a \$6 million charge before taxes (\$4 million after taxes) for severance and benefit costs associated with the Company's S&A reduction initiative.

In addition, restructuring and other charges totaling \$342 million before taxes (\$210 million after taxes) were recorded in the Industrial Packaging, Printing Papers and Consumer Packaging industry segments including:

- a \$315 million charge before taxes (\$192 million after taxes), including \$236 million of noncash accelerated depreciation charges, for closure costs related to the Franklin, Virginia mill,
- an \$8 million charge before taxes (\$5 million after taxes) related to the reorganization of the Company's Shorewood Packaging operations,
- a \$7 million charge before taxes (\$4 million after taxes) related to the closure of the Bellevue, Washington container facility, and
- a \$12 million charge before taxes (\$9 million after taxes) for other items.

Impairments of Goodwill

No goodwill impairment charges were recorded in 2012, 2011 or 2010.

Net Losses (Gains) on Sales and Impairments of Businesses

Net losses (gains) on sales and impairments of businesses included in special items totaled a pre-tax loss of \$86 million (\$87 million after taxes) in 2012, a pre-tax loss of \$218 million (a gain of \$36 million after taxes and noncontrolling interests) in 2011 and a pre-tax gain of \$23 million (\$13 million after taxes) in 2010. The principal components of these gains/losses were:

2012: As referenced in Note 5 Acquisitions and Joint Ventures on pages 57 through 60 in Item 8 Financial Statements and Supplementary Data, on July 2, 2012, International Paper finalized the sales of its Ontario and Oxnard (Hueneme), California containerboard mills to New-Indy Containerboard LLC, and its New Johnsonville, Tennessee containerboard mill to Hood Container Corporation. During 2012, the Company recorded pre-tax charges of \$29 million (\$55 million after taxes) for costs associated with the divestitures of these mills. Also during 2012, in anticipation of the divestiture of the Hueneme mill, a pre-tax charge of \$62 million (\$38 million after taxes) was recorded to adjust the long-lived assets of the mill to their fair value.

2011: On August 22, 2011, International Paper announced that it had signed an agreement to sell its Shorewood business to Atlas Holdings. As a result, during 2011, net pre-tax charges of \$207 million (after a \$246 million tax benefit and a gain of \$8 million related to a noncontrolling interest, a net gain of \$47 million) were recorded to reduce the carrying value of the Shorewood business to fair market value. As part of the

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transaction, International Paper retained a minority interest of approximately 40% in the newly combined AGI-Shorewood business outside the U.S. Since the interest retained represents significant continuing involvement in the operations of the business, the operating results of the Shorewood business were

Brazil is expected to seasonally decrease. Average sales price realizations in North America are expected to be steady in the domestic paper market, but increase in packaging markets. Average sales prices in Europe are likely to be steady for both paper and packaging. In Brazil, paper prices are expected to

included in continuing operations in the accompanying consolidated statement of operations instead of Discontinued operations. The sale of the U.S. portion of the Shorewood business to Atlas Holdings closed on December 31, 2011. The sale of the remainder of the Shorewood business occurred during January 2012. The assets of the remainder of the Shorewood business, totaling \$196 million at December 31, 2011, are included in Assets of businesses held for sale in current assets in the accompanying consolidated balance sheet. The liabilities of the remainder of the Shorewood business totaling \$43 million at December 31, 2011 are included in Liabilities of businesses held for sale in current liabilities in the accompanying consolidated balance sheet. Additionally, approximately \$33 million of currency translation adjustment was reflected in OCI related to the remainder of the Shorewood business at December 31, 2011.

Also during 2011, the Company recorded charges totaling \$11 million (before and after taxes) to further write down the long-lived assets of its Inverurie, Scotland mill to their estimated fair value.

2010: During 2010, the Company recorded a pre-tax gain of \$25 million (\$15 million after taxes) as a result of the partial redemption of the 10% interest the Company retained in its Arizona Chemical business after the sale of the business in 2006. The Company received \$37 million in cash from the redemption of this interest.

Industry Segment Operating Profits

Industry segment operating profits of \$2.0 billion in 2012 decreased from \$2.2 billion in 2011. The benefits from Temple-Inland volumes and synergies (\$379 million) and lower input costs (\$113 million) were more than offset by higher costs associated with Temple-Inland step-up depreciation and the impact of the divestiture of three containerboard mills (\$141 million), lower average sales price realizations and an unfavorable mix (\$313 million), higher operating costs (\$186 million) and higher mill maintenance outage costs (\$31 million). Special items were a \$335 million net loss in 2012 compared with a net loss of \$253 million in 2011.

Market-related downtime in 2012 increased to approximately 683,000 tons from approximately 421,000 tons in 2011.

Looking ahead to the first quarter of 2013, demand for North American and Asian paper and packaging is expected to be stable, while demand in Europe and

increase in the domestic market, but decrease for sales to export markets. Input costs in North America are expected to increase for wood, energy and recycled fiber. Planned maintenance downtime costs should decrease in North America, while higher costs in Europe should be offset by lower costs in Brazil. Earnings from our xpedx distribution business are expected to reflect seasonally lower sales volumes, partially offset by cost reductions resulting from the business reorganization. Equity earnings from our Ilim joint venture are expected to be lower.

DESCRIPTION OF INDUSTRY SEGMENTS

International Paper's industry segments discussed below are consistent with the internal structure used to manage these businesses. All segments are differentiated on a common product, common customer basis consistent with the business segmentation generally used in the forest products industry.

Industrial Packaging

International Paper is the largest manufacturer of containerboard in the United States. Our production capacity is about 14 million tons annually. Our products include linerboard, medium, whitetop, recycled linerboard, recycled medium and saturating kraft. About 80% of our production is converted domestically into corrugated boxes and other packaging by our 178 U.S. container plants. Additionally, we recycle approximately one million tons of OCC and mixed and white paper through our 20 recycling plants. In Europe, our operations include one recycled fiber containerboard mill in Morocco and 20 container plants in France, Italy, Spain, and Morocco. In Asia, our operations include 19 container plants in China and additional container plants in Indonesia, Malaysia, Singapore, and Thailand. Our container plants are supported by regional design centers, which offer total packaging solutions and supply chain initiatives.

Printing Papers

International Paper is one of the world's leading producers of printing and writing papers. Products in this segment include uncoated and coated papers, uncoated bristols and pulp.

Uncoated Papers: This business produces papers for use in copiers, desktop and laser printers and digital imaging. End use applications include advertising and promotional materials such as brochures, pamphlets, greeting cards, books, annual reports and direct mail.

and to a growing number of customers, we exclusively provide distribution capabilities including warehousing and delivery services. xpedx is a leading wholesale distribution marketer in these customer and product segments in North America, operating 108 warehouse locations in the U.S. and Mexico.

Forest Products

International Paper sold our remaining land portfolio in 2010 and beginning in 2011 is no longer reporting Forest Products as a separate industry segment.

Ilim Holding S.A.

In October 2007, International Paper and Ilim Holding S.A. (Ilim) completed a 50:50 joint venture to operate a pulp and paper business located in Russia. Ilim's facilities include three paper mills located in Bratsk, Ust-Ilimsk, and Koryazhma, Russia, with combined total pulp and paper capacity of over 2.6 million tons.

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Uncoated papers also produces a variety of grades that are converted by our customers into envelopes, tablets, business forms and file folders. Uncoated papers are sold under private label and International Paper brand names that include *Hammermill*, *Springhill*, *Williamsburg*, *Postmark*, *Accent*, *Great White*, *Chamex*, *Ballet*, *Rey*, *Pol*, and *Svetocopy*. The mills producing uncoated papers are located in the United States, France, Poland, Russia, Brazil and India. The mills have uncoated paper production capacity of approximately 5 million tons annually. Brazilian operations function through International Paper do Brasil, Ltda, which owns or manages approximately 327,000 acres of forestlands in Brazil.

Pulp: Pulp is used in the manufacture of printing, writing and specialty papers, towel and tissue products and filtration products. Pulp is also converted into products such as diapers and sanitary napkins. Pulp products include fluff, and southern softwood pulp, as well as southern and birch hardwood paper pulps. These

products are produced in the United States, France, Poland, Russia, and Brazil and are sold around the world. International Paper facilities have annual dried pulp capacity of about 1.7 million tons.

Consumer Packaging

International Paper is the world's largest producer of solid bleached sulfate board with annual U.S. production capacity of about 1.7 million tons. Our coated paperboard business produces high quality coated paperboard for a variety of packaging and commercial printing end uses. Our *Everest*®, *Fortress*®, and *Starcore*® brands are used in packaging applications for everyday products such as food, cosmetics, pharmaceuticals, computer software and tobacco products. Our *Carolina*® brand is used in commercial printing end uses such as greeting cards, paperback book covers, lottery tickets, direct mail and point-of-purchase advertising. Our U.S. capacity is supplemented by about 365,000 tons of capacity at our mills producing coated board in Poland and Russia and by our International Paper & Sun Cartonboard Co., Ltd. joint venture in China which has annual capacity of 1.0 million tons.

Our Foodservice business produces cups, lids, food containers and plates through three domestic plants and four international facilities.

Distribution

xpedx, our North American merchant distribution business, distributes products and services to a number of customer markets including: commercial printers with printing papers and graphic pre-press, printing presses and post-press equipment; building services and away-from-home markets with facility supplies; manufacturers with packaging supplies and equipment;

lilm has exclusive harvesting rights on timberland and forest areas exceeding 14.3 million acres (5.8 million hectares).

Products and brand designations appearing in italics are trademarks of International Paper or a related company.

INDUSTRY SEGMENT RESULTS

Industrial Packaging

Demand for Industrial Packaging products is closely correlated with non-durable industrial goods production, as well as with demand for processed foods, poultry, meat and agricultural products. In addition to prices and volumes, major factors affecting the profitability of Industrial Packaging are raw material and energy costs, freight costs, manufacturing efficiency and product mix.

Industrial Packaging net sales and operating profits for 2012 include the results of the Temple-Inland packaging operations from the date of acquisition. Net sales for 2012 increased 27% to \$13.3 billion compared with \$10.4 billion in 2011, and 35% compared with \$9.8 billion in 2010. Operating profits were 7% lower in 2012 than in 2011 and 29% higher than in 2010. Excluding costs associated with the acquisition and integration of Temple-Inland, the divestiture of three containerboard mills and other special items, operating profits in 2012 were 17% higher than in 2011 and 60% higher than in 2010. Benefits from Temple-Inland synergies and sales volumes (\$375 million) and lower input costs (\$124 million) were partially offset by higher costs associated with Temple-Inland step-up depreciation and the impact of the divestiture of three containerboard mills (\$141 million), lower average sales price realizations and unfavorable mix (\$20 million), higher operating costs

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(\$125 million) and higher maintenance outage costs (\$18 million). Additionally, operating profits in 2012 include costs of \$184 million associated with the acquisition and integration of Temple-Inland, mill divestiture costs of \$91 million, costs associated with the restructuring of our European Packaging business of \$17 million and a \$3 million gain for other items, while operating costs in 2011 included costs associated with signing an agreement to acquire Temple-Inland of \$20 million and a gain of \$7 million for other items.

Industrial Packaging

In millions	2012	2011	2010
Sales	\$ 13,280	\$ 10,430	\$ 9,840
Operating Profit	1,066	1,147	826

North American Industrial Packaging net sales were \$11.6 billion in 2012 compared with \$8.6 billion in 2011 and \$8.4 billion in 2010. Operating profits in 2012 were \$1.0 billion (\$1.3 billion excluding costs associated with the acquisition and integration of Temple-Inland and mill divestiture costs) compared with \$1.1 billion (both including and excluding costs associated with signing an agreement to acquire Temple-Inland) in 2011 and \$763 million (\$776 million excluding facility closure costs) in 2010.

Sales volumes for the legacy business were about flat in 2012 compared with 2011. Average sales price was lower mainly due to export containerboard sales prices which bottomed out in the first quarter but climbed steadily the rest of the year. Input costs were lower for recycled fiber, wood and natural gas, but higher for

Manufacturing operating costs are expected to be lower.

European Industrial Packaging net sales were \$1.0 billion in 2012 compared with \$1.1 billion in 2011 and \$990 million in 2010. Operating profits in 2012 were \$53 million (\$72 million excluding restructuring costs) compared with \$66 million (\$61 million excluding a gain for a bargain purchase price adjustment on an acquisition by our joint venture in Turkey and costs associated with the closure of our Etienne mill in France in 2009) in 2011 and \$70 million (\$73 million before closure costs for our Etienne mill) in 2010.

Sales volumes in 2012 were lower than in 2011 reflecting decreased demand for packaging in the industrial market due to a weaker overall economic environment in southern Europe. Demand for packaging in the agricultural markets was about flat year-over-year. Average sales margins increased due to sales price increases implemented during 2011 and 2012 and lower board costs. Other input costs were higher, primarily for energy and distribution. Operating profits in 2012 included a net gain of \$10 million for an insurance settlement, partially offset by additional operating costs, related to the earthquakes in Northern Italy in May which affected our San Felice box plant.

Entering the first quarter of 2013, sales volumes are expected to be stable reflecting a seasonal decrease in market demand in agricultural markets offset by an increase in industrial markets. Average sales margins are expected to improve due to lower input costs for containerboard. Other input costs should be about flat. Operating costs are expected to be higher reflecting the absence of the earthquake insurance settlement that was received in the

starch. Freight costs also increased. Planned maintenance downtime costs were higher than in 2011. Operating costs were higher largely due to routine inventory valuation adjustments. Operating profits in 2012 benefited from \$235 million of Temple-Inland synergies. Market-related downtime in 2012 was about 570,000 tons compared with about 380,000 tons in 2011. Operating profits in 2012 included \$184 million of costs associated with the acquisition and integration of Temple-Inland and \$91 million of costs associated with the divestiture of three containerboard mills. Operating profits in 2011 included charges of \$20 million for costs associated with the signing of the agreement to acquire Temple-Inland.

Looking ahead to 2013, sales volumes in the first quarter compared with the fourth quarter of 2012 are expected to increase slightly for boxes due to a higher number of shipping days. Average sales price realizations are expected to reflect the pass-through to box customers of a containerboard price increase implemented in 2012. Input costs are expected to be higher for recycled fiber, wood and starch. Planned maintenance downtime costs are expected to be about \$26 million higher with outages scheduled at eight mills compared with six mills in the 2012 fourth quarter.

2012 fourth quarter.

Asian Industrial Packaging net sales and operating profits include the results of SCA Packaging since the acquisition on June 30, 2010, including the impact of incremental integration costs. Net sales for the packaging operations were \$400 million in 2012 compared with \$410 million in 2011 and \$255 million in 2010. Operating profits for the packaging operations were \$2 million in 2012 compared with \$2 million in 2011 and a loss of \$7 million (a loss of \$4 million excluding facility closure costs) in 2010. Operating profits were favorably impacted by higher average sales margins in 2012 compared with 2011, but this benefit was offset by lower sales volumes and higher raw material costs and operating costs. Looking ahead to the first quarter of 2013, sales volumes and average sales margins are expected to decrease due to seasonality.

Net sales for the distribution operations were \$260 million in 2012 compared with \$285 million in 2011 and \$240 million in 2010. Operating profits were \$3 million in 2012 compared with \$3 million in 2011 and about breakeven in 2010.

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Printing Papers

Demand for Printing Papers products is closely correlated with changes in commercial printing and advertising activity, direct mail volumes and, for uncoated cut-size products, with changes in white-collar employment levels that affect the usage of copy and laser printer paper. Pulp is further affected by changes in currency rates that can enhance or disadvantage producers in different geographic regions. Principal cost drivers include manufacturing efficiency, raw material and energy costs and freight costs.

Printing Papers net sales for 2012 were about flat with 2011 and increased 5% from 2010. Operating profits in 2012 were 31% lower than in 2011, but 25% higher than in 2010. Excluding facility closure costs and impairment costs, operating profits in 2012 were 30% lower than in 2011 and 25% lower than in 2010. Benefits from higher sales volumes (\$58 million) were more than offset by lower sales price realizations and an unfavorable product mix (\$233 million), higher operating costs (\$30 million), higher maintenance outage costs (\$17 million), higher input costs (\$32 million) and other items (\$6 million). In addition, operating profits in 2011 included a \$24 million gain related to the announced repurposing of our Franklin, Virginia mill to produce fluff pulp and an \$11 million impairment charge related to our Inverurie, Scotland mill that was closed in 2009.

Printing Papers

In millions	2012	2011	2010
Sales	\$ 6,230	\$ 6,215	\$ 5,940
Operating Profit	599	872	481

North American Printing Papers net sales were \$2.7 billion in 2012, \$2.8 billion in 2011 and \$2.8 billion in 2010. Operating profits in 2012 were \$331 million compared with \$423 million (\$399 million excluding a \$24 million gain associated with the repurposing of our Franklin, Virginia mill) in 2011 and \$18 million (\$333 million excluding facility closure costs) in 2010.

Sales volumes in 2012 were flat with 2011. Average sales margins were lower primarily due to lower export sales prices and higher export sales volume. Input costs were higher for wood and

Average sales price realizations are expected to be relatively flat as sales price realizations for domestic and export uncoated freesheet roll and cutsize paper should be stable. Input costs should increase for energy, chemicals and wood. Planned maintenance downtime costs are expected to be about \$19 million lower with an outage scheduled at our Georgetown mill versus outages at our Courtland and Eastover mills in the fourth quarter of 2012.

Brazilian Papers net sales for 2012 were \$1.1 billion compared with \$1.2 billion in 2011 and \$1.1 billion in 2010. Operating profits for 2012 were \$163 million compared with \$169 million in 2011 and \$159 million in 2010. Sales volumes in 2012 were higher than in 2011 as International Paper improved its segment position in the Brazilian market despite weaker year-over-year conditions in most markets. Average sales price realizations improved for domestic uncoated freesheet paper, but the benefit was more than offset by declining prices for exported paper. Margins were favorably affected by an increased proportion of sales to the higher-margin domestic market. Raw material costs increased for wood and chemicals, but costs for purchased pulp decreased. Operating costs and planned maintenance downtime costs were lower than in 2011.

Looking ahead to 2013, sales volumes in the first quarter are expected to be lower than in the fourth quarter of 2012 due to seasonally weaker customer demand for uncoated freesheet paper. Average sales price realizations are expected to increase in the Brazilian domestic market due to the realization of an announced sales price increase for uncoated freesheet paper, but the benefit should be partially offset by pricing pressures in export markets. Average sales margins are expected to be negatively impacted by a less favorable geographic mix. Input costs are expected to be about flat due to lower energy costs being offset by higher costs for wood, purchased pulp, chemicals and utilities. Planned maintenance outage costs should be \$4 million lower with no outages scheduled in the first quarter. Operating costs should be favorably impacted by the savings generated by the start-up of a new biomass boiler at the Mogi Guacu mill.

European Papers net sales in 2012 were \$1.4 billion compared with \$1.4 billion in 2011 and \$1.3 billion in 2010. Operating profits in

chemicals, but were partially offset by lower purchased pulp costs. Freight costs increased due to higher oil prices. Manufacturing operating costs were favorable reflecting strong mill performance. Planned maintenance downtime costs were slightly higher in 2012. No market-related downtime was taken in either 2012 or 2011.

Entering the first quarter of 2013, sales volumes are expected to increase compared with the fourth quarter of 2012 reflecting seasonally stronger demand.

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freesheet paper were higher in Russia, but lower in Europe reflecting weak economic conditions and market demand. Average sales price realizations for pulp decreased. Lower input costs for wood and purchased fiber were partially offset by higher costs for energy, chemicals and packaging. Freight costs were also higher. Planned maintenance downtime costs were higher due to executing a significant once-every-ten-years maintenance outage plus the regularly scheduled 18-month outage at the Saillat mill while outage costs in Russia and Poland were lower. Manufacturing operating costs were favorable.

Entering 2013, sales volumes in the first quarter are expected to be seasonally weaker in Russia, but about flat in Europe. Average sales price realizations for uncoated freesheet paper are expected to decrease in Europe, but increase in Russia. Input costs should be higher in Russia, especially for wood and energy, but be slightly lower in Europe. No maintenance outages are scheduled for the first quarter.

Indian Papers includes the results of Andhra Pradesh Paper Mills (APPM) of which a 75% interest was acquired on October 14, 2011. Net sales were \$185 million in 2012 and \$35 million in 2011. Operating profits were a loss of \$16 million in 2012 and a loss of \$3 million in 2011.

Asian Printing Papers net sales were \$85 million in 2012, \$75 million in 2011 and \$80 million in 2010. Operating profits were improved from breakeven in past years to \$1 million in 2012.

U.S. Pulp net sales were \$725 million in 2012 compared with \$725 million in 2011 and \$715 million in 2010. Operating profits were a loss of \$59 million in 2012 compared with gains of \$87 million in 2011 and \$107 million in 2010.

Sales volumes in 2012 increased from 2011 primarily due to the start-up of pulp production at the Franklin mill in the third quarter of 2012. Average sales price realizations were significantly lower for both fluff pulp and market pulp. Input costs were lower, primarily for wood and energy. Freight costs were slightly lower. Mill operating costs were unfavorable primarily due to costs associated with the start-up of the Franklin mill. Planned maintenance downtime costs were lower.

In the first quarter of 2013, sales volumes are expected to be flat with the fourth quarter of 2012. Average sales price realizations are expected to improve reflecting the realization of sales price increases for paper and tissue pulp that were announced in the fourth quarter of 2012. Input costs should be flat. Planned maintenance downtime costs should be about \$9 million higher than in the fourth quarter of 2012. Manufacturing costs related to the Franklin mill should be lower as we continue to improve operations.

2012 were \$179 million compared with \$196 million (\$207 million excluding asset impairment charges related to our Inverurie, Scotland mill which was closed in 2009) in 2011 and \$197 million (\$199 million excluding an asset impairment charge) in 2010.

Sales volumes in 2012 compared with 2011 were higher for uncoated freesheet paper in both Europe and Russia, while sales volumes for pulp were lower in both regions. Average sales price realizations for uncoated

Consumer Packaging

Demand and pricing for Consumer Packaging products correlate closely with consumer spending and general economic activity. In addition to prices and volumes, major factors affecting the profitability of Consumer Packaging are raw material and energy costs, freight costs, manufacturing efficiency and product mix.

Consumer Packaging net sales in 2012 decreased 15% from 2011 and 7% from 2010. Operating profits increased 64% from 2011 and 29% from 2010. Net sales and operating profits include the Shorewood business in 2011 and 2010. Excluding asset impairment and other charges associated with the sale of the Shorewood business, and facility closure costs, 2012 operating profits were 27% lower than in 2011, but 23% higher than in 2010.

Benefits from lower raw material costs (\$22 million), lower maintenance outage costs (\$5 million) and other items (\$2 million) were more than offset by lower sales price realizations and an unfavorable product mix (\$66 million), lower sales volumes and increased market-related downtime (\$22 million), and higher operating costs (\$40 million). In addition, operating profits in 2012 included a gain of \$3 million related to the sale of the Shorewood business while operating profits in 2011 included a \$129 million fixed asset impairment charge for the North American Shorewood business and \$72 million for other charges associated with the sale of the Shorewood business.

Consumer Packaging

<i>In millions</i>	2012	2011	2010
Sales	\$ 3,170	\$ 3,710	\$ 3,400
Operating Profit	268	163	207

North American Consumer Packaging net sales were \$2.0 billion in 2012 compared with \$2.5 billion in 2011 and \$2.4 billion in 2010. Operating profits were \$165 million (\$162 million excluding a gain related to the sale of the Shorewood business) in 2012 compared with \$35 million (\$236 million excluding asset impairment and other charges associated with the sale of the Shorewood business) in 2011 and \$97 million (\$105 million excluding facility closure costs) in 2010.

Coated Paperboard sales volumes in 2012 were lower than in 2011 reflecting weaker market demand. Average sales price realizations were lower, primarily for folding carton board. Input costs for wood increased, but were partially offset by lower costs for chemicals and energy. Planned maintenance downtime costs were slightly lower. Market-related downtime was about 113,000 tons in 2012 compared with about 38,000 tons in 2011.

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Foodservice sales volumes increased in 2012 compared with 2011. Average sales margins were higher reflecting the realization of sales price increases for the pass-through of earlier cost increases. Raw material costs for board and resins were lower. Operating costs and distribution costs were both higher.

The U.S.Shorewood business was sold December 31, 2011 and the non-U.S. business was sold in January 2012.

Looking ahead to the first quarter of 2013, Coated Paperboard sales volumes are expected to increase slightly from the fourth quarter of 2012. Average sales price realizations are expected to be slightly lower, but margins should benefit from a more favorable product mix. Input costs are expected to be higher for energy and wood. No planned maintenance outages are scheduled in the first quarter. In January 2013 the Company announced the permanent shutdown of a coated paperboard machine at the Augusta mill with an annual capacity of 140,000 tons. Foodservice sales volumes are expected to increase. Average sales margins are expected to decrease due to the realization of sales price decreases effective with our January contract openers. Input costs for board and resin are expected to be lower and operating costs are also expected to decrease.

European Consumer Packaging net sales in 2012 were \$380 million compared with \$375 million in 2011 and \$345 million in 2010. Operating profits in 2012 were \$99 million compared with \$93 million in 2011 and \$76 million in 2010. Sales volumes in 2012 increased from 2011. Average sales price realizations were higher in Russian markets, but were lower in European markets. Input costs decreased, primarily for wood, and planned maintenance downtime costs were lower in 2012 than in 2011.

Looking forward to the first quarter of 2013, sales volumes are expected to decrease in both Europe and Russia. Average sales price realizations are expected to be higher in Russia, but be more than offset by decreases in Europe. Input costs are expected to increase for wood and chemicals. No maintenance outages are scheduled for the first quarter.

Asian Consumer Packaging net sales were \$830 million in 2012 compared with \$855 million in 2011 and \$705 million in 2010. Operating profits in 2012 were \$4 million compared with \$35 million in 2011 and \$34 million in 2010. Sales volumes increased in 2012 compared with 2011 partially due to the start-up of a new coated paperboard machine. Average sales price realizations were significantly lower, but were partially offset by lower input costs for purchased pulp. Start-up costs for a new coated paperboard machine adversely impacted operating profits in 2012.

In the first quarter of 2013, sales volumes are expected to increase slightly. Average sales price realizations for folding carton board and bristols board are expected to be lower reflecting increased competitive pressures and seasonally weaker market demand. Input costs should be higher for pulp and chemicals. However, costs related to the ramp-up of the new coated paperboard machine should be lower.

Distribution

xpedx, our distribution business, is one of North America's leading business-to-business distributors to manufacturers, facility managers and printers, providing customized solutions that are designed to improve efficiency, reduce costs and deliver results. Customer demand is generally sensitive to changes in economic conditions and consumer behavior, along with segment specific activity including corporate advertising and promotional spending, government spending and domestic manufacturing activity. Distribution's margins are relatively stable across an economic cycle. Providing customers with the best choice for value in both products and supply chain services is a key competitive factor. Additionally, efficient customer service, cost-effective logistics and focused working capital management are key factors in this segment's profitability.

Distribution

In millions	2012	2011	2010
Sales	\$ 6,040	\$ 6,630	\$ 6,735
Operating Profit	22	34	78

Distribution's 2012 annual sales decreased 9% from 2011, and decreased 10% from 2010. Operating profits in 2012 were \$22 million (\$71 million excluding reorganization costs) compared with \$34 million (\$86 million excluding reorganization costs) in 2011 and \$78 million in 2010.

Annual sales of printing papers and graphic arts supplies and equipment totaled \$3.5 billion in 2012 compared with \$4.0 billion in 2011 and \$4.2 billion in 2010, reflecting declining demand and the exiting of unprofitable businesses. Trade margins as a percent of sales for printing papers were relatively even with both 2011 and 2010. Revenue from packaging products was flat at \$1.6 billion in both 2012 and 2011 and up slightly compared to \$1.5 billion in 2010. Packaging margins increased in 2012 from both 2011 and 2010, reflecting the successful execution of strategic sourcing initiatives. Facility supplies annual revenue was \$0.9 billion in 2012, down compared to \$1.0 billion in 2011 and 2010.

Operating profits in 2012 included \$49 million of reorganization costs for severance, professional services and asset write-downs compared with \$52

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million in 2011. Operating profits in 2010 included costs of approximately \$10 million related to exiting certain retail store and printing equipment segments, and for professional fees related to a strategic study of the xpedx business as a whole.

Looking ahead to the 2013 first quarter, operating results will be seasonally lower, but will continue to reflect the benefits of the ongoing transformation.

Equity Earnings, Net of Taxes – Ilim Holding S.A.

exchange gain of \$16 million on the remeasurement of U.S. dollar-denominated debt. Operating results recorded in 2011 included an after-tax foreign exchange loss of \$24 million on the remeasurement of U.S. dollar-denominated debt.

Sales volumes for the joint venture increased year-over-year for shipments to China and other export markets. Linerboard sales in the domestic Russian market decreased slightly reflecting competitive price pressures in late 2012. Average sales price realizations were significantly lower in 2012 primarily for softwood pulp, but hardwood pulp and linerboard also decreased in both the

International Paper accounts for its investment in Ilim Holding S.A. (Ilim), a separate reportable industry segment, using the equity method of accounting. Prior to 2012, due to the complex organizational structure of Ilim's operations, and the extended time required to prepare consolidated financial information in accordance with accounting principles generally accepted in the United States, the Company reported its share of Ilim's operating results on a one-quarter lag basis. In 2012, the Company determined that the elimination of the one-quarter lag was preferable because the same period-end reporting date improves overall financial reporting as the impact of current events, economic conditions and global trends are consistently reflected in the financial statements. Beginning January 1, 2012, the Company has applied this change in accounting principle retrospectively to all prior financial reporting periods presented.

The elimination of the one-quarter reporting lag for Ilim had the following impact:

Consolidated Statement of Operations

<i>In millions</i>	2011	2010
Equity earnings (loss), net of taxes	\$ (19)	\$ 47
Earnings (loss) from continuing operations	(19)	47
Net earnings (loss) attributable to International Paper Company	(19)	47
Basic earnings (loss) per share from continuing operations	(0.04)	0.11
Basic net earnings (loss) per share	(0.04)	0.11
Diluted earnings (loss) per share from continuing operations	(0.04)	0.11
Diluted net earnings (loss) per share	(0.04)	0.11

Consolidated Balance Sheet

<i>In millions at December 31</i>	2011
Investments	\$ 25
Retained earnings	25

The Company recorded equity earnings, net of taxes, related to Ilim of \$56 million in 2012 compared with \$134 million in 2011 and \$102 million in 2010. Operating results recorded in 2012 included an after-tax foreign

Russian domestic market and in export markets. Input costs increased year-over-year, primarily for wood. Freight costs also increased. The Company received cash dividends from the joint venture of \$86 million in 2011 and \$33 million in 2010. No dividends were paid in 2012.

Entering the first quarter of 2013, sales volumes are expected to decrease due to weak demand in the export markets and a seasonal slowdown in the domestic market. Average sales price realizations are expected to increase reflecting higher pulp and linerboard prices in the Russian domestic market and slightly higher export pulp prices. Lower input costs for wood will be partially offset by higher energy costs, while distribution costs are expected to increase. Commissioning of a new pulp line at the Bratsk mill and a coated and uncoated woodfree paper machine at the Koryazhma mill will be completed in the first quarter with commercial production beginning in the second quarter. As these projects are placed in service, higher depreciation and interest expense will negatively impact earnings.

LIQUIDITY AND CAPITAL RESOURCES

Overview

A major factor in International Paper's liquidity and capital resource planning is its generation of operating cash flow, which is highly sensitive to changes in the pricing and demand for our major products. While changes in key cash operating costs, such as energy, raw material and transportation costs, do have an effect on operating cash generation, we believe that our focus on cost controls has improved our cash flow generation over an operating cycle.

As part of our continuing focus on improving our return on investment, we have focused our capital spending on improving our key paper and packaging businesses both globally and in North America.

Cash uses during 2012 were primarily focused on higher capital spending and the Temple-Inland acquisition.

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Cash Provided by Operating Activities

Cash provided by continuing operations totaled \$3.0 billion in 2012 compared with \$2.7 billion for 2011 and \$1.6 billion for 2010.

The major components of cash provided by continuing operations are earnings from continuing operations adjusted for non-cash income and expense items and changes in working capital. Earnings from continuing operations, adjusted for non-cash income and expense items, decreased by \$304 million in 2012 versus 2011 driven mainly by a decrease in earnings from continuing operations. Cash used for working capital components, accounts receivable and inventory less accounts payable and accrued liabilities, interest payable and other totaled \$84 million in 2012, compared with \$505 million in 2011 and \$458 million in 2010.

The Company generated free cash flow of approximately \$1.6

<i>In millions</i>	Three Months Ended December 31, 2012	Three Months Ended September 30, 2012	Three Months Ended December 31, 2011
Cash provided by operations	\$ 686	\$ 863	\$ 637
(Less)/Add:			
Cash invested in capital projects	(382)	(296)	(434)
Cash contribution to pension plan, net of tax refunds	—	—	300
Cash received from unwinding a timber monetization	—	—	(175)
Cash paid for Guaranty Bank settlement	80	—	—

billion, \$1.7 billion and \$1.7 billion in 2012, 2011 and 2010, respectively. Free cash flow is a non-GAAP measure and the most comparable GAAP measure is cash provided by operations. Management uses free cash flow as a liquidity metric because it measures the amount of cash generated that is available to maintain our assets, make investments or acquisitions, pay dividends and reduce debt. The following are reconciliations of free cash flow to cash provided by operations:

<i>In millions</i>	2012	2011	2010
Cash provided by operations	\$ 2,960	\$ 2,675	\$ 1,631
(Less)/Add:			
Cash invested in capital projects	(1,383)	(1,159)	(775)
Cash contribution to pension plan, net of tax refunds	44	300	1,042
Cash (received from) used for European accounts receivable securitization program	—	209	—
Tax receivable collected related to pension contributions	—	(123)	—
Cash received from unwinding a timber monetization	(251)	(175)	—
Change in control payments related to Temple-Inland acquisition	120	—	—
Cash received from alternative fuel mixture credits	—	—	(132)
Reduction in cash taxes paid related to cellulosic bio-fuel tax credits	—	—	(17)
Cash paid for Guaranty Bank settlement	80	—	—
Free Cash Flow	\$ 1,570	\$ 1,727	\$ 1,749

Free Cash Flow \$ 384 \$ 567 \$ 328

Cellulosic Bio-fuel Tax Credit

In a memorandum dated June 28, 2010, the IRS concluded that black liquor would qualify for the cellulosic bio-fuel tax credit of \$1.01 per gallon produced in 2009. On October 15, 2010, the IRS ruled that companies may qualify in the same year for the \$0.50 per gallon alternative fuel mixture credit and the \$1.01 cellulosic bio-fuel tax credit for 2009, but not for the same gallons of fuel produced and consumed. To the extent a taxpayer changes its position and uses the \$1.01 credit, it must re-pay the refunds they received as alternative fuel mixture credits attributable to the gallons converted to the cellulosic bio-fuel credit. The repayment of this refund must include interest.

One important difference between the two credits is that the \$1.01 credit must be credited against a company's Federal tax liability, and the credit may be carried forward through 2015. In contrast, the \$0.50 credit is refundable in cash. Also, the cellulosic bio-fuel credit is required to be included in Federal taxable income.

The Company filed an application with the IRS on November 18, 2010, to receive the required registration code to become a registered cellulosic bio-fuel producer. The Company received its registration code on February 28, 2011.

The Company has evaluated the optimal use of the two credits with respect to gallons produced in 2009. Considerations include uncertainty around future Federal taxable income, the taxability of the alternative fuel mixture credit, future liquidity and uses of cash such as, but not limited to, acquisitions, debt repayments and voluntary pension contributions versus repayment of alternative fuel mixture credits with interest. At the present time, the Company does not intend to convert any gallons under the alternative fuel mixture credit to gallons under the cellulosic bio-fuel credit. On July 19, 2011 the Company filed an amended 2009 tax return claiming alternative fuel mixture tax credits as non-

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taxable income. If that amended position is not upheld, the Company will re-evaluate its position with regard to alternative fuel mixture gallons produced in 2009.

During 2009, the Company produced 64 million gallons of black liquor that were not eligible for the alternative fuel mixture credit. The Company claimed these gallons for the cellulosic bio-fuel credit by amending the Company's 2009 tax return. The impact of this amendment was included in the Company's 2010 fourth quarter Income tax provision (benefit), resulting in a \$40 million net credit to tax expense. Temple-Inland also recognized an income tax benefit of \$83 million in 2010 related to cellulosic bio-fuel credits.

As is the case with other tax credits, taxpayer claims are subject to possible future review by the IRS which has the authority to propose adjustments to the amounts claimed, or credits received.

Investment Activities

Investment activities in 2012 were up from 2011 reflecting an increase in capital spending and the acquisition of Temple-Inland. The Company maintains an average capital spending target of \$1.0 billion per year over the course of an economic cycle. Capital spending for continuing operations was \$1.4 billion in 2012, or 93% of depreciation and amortization, compared with \$1.2 billion in 2011, or 87% of depreciation and amortization, and \$775 million, or 53% of depreciation and amortization in 2010. Across

packaging company, Olmuksa International Paper Sabanci Ambalaj Sanayi ve Ticaret A.S. (Olmuksa), for a purchase price of \$56 million. The acquired shares represent 43.7% of Olmuksa's shares, and prior to this acquisition, International Paper already held a 43.7% equity interest in Olmuksa. Thus, International Paper now owns 87.4% of Olmuksa's outstanding and issued shares. The Company has not completed the valuation of assets acquired and liabilities assumed; however, the Company anticipates providing a preliminary purchase price allocation in its 2013 first quarter Form 10-Q filing.

Because the transaction resulted in International Paper becoming the majority shareholder, owning 87.4% of Olmuksa's shares, its completion triggered a mandatory call for tender of the remaining public shares. Also as a result of International Paper taking majority control of the entity, Olmuksa's financial results will be consolidated with our Industrial Packaging segment beginning with the effective date International Paper obtained majority control of the entity on January 1, 2013.

2012: On February 13, 2012, International Paper completed the acquisition of Temple-Inland, Inc. (Temple-Inland). International Paper acquired all of the outstanding common stock of Temple-Inland for \$32.00 per share in cash, totaling approximately \$3.7 billion, and assumed approximately \$700 million of Temple-Inland's debt. As a condition to allowing the transaction to proceed, the Company entered into an agreement on a Final

our businesses, capital spending as a percentage of depreciation and amortization ranged from 75% to 151% in 2012.

The following table shows capital spending for continuing operations by business segment for the years ended December 31, 2012, 2011 and 2010.

<i>In millions</i>	2012	2011	2010
Industrial Packaging	\$ 565	\$ 426	\$ 301
Printing Papers	449	364	283
Consumer Packaging	296	310	159
Distribution	10	8	5
Forest Products	—	—	3
Subtotal	1,320	1,108	751
Corporate and other	63	51	24
Total from Continuing Operations	\$ 1,383	\$ 1,159	\$ 775

Capital expenditures in 2013 are currently expected to be about \$1.4 billion, or 93% of depreciation and amortization.

Acquisitions

2013: On January 3, 2013, International Paper completed the acquisition (effective date of acquisition on January 1, 2013) of the shares of its joint venture partner, Sabanci Holding, in the Turkish corrugated

Judgment with the Antitrust Division of the U.S. Department of Justice (DOJ) that required the Company to divest three containerboard mills, with approximately 970,000 tons of aggregate containerboard capacity. On July 2, 2012, International Paper sold its Ontario and Oxnard (Hueneme), California containerboard mills to New-Indy Containerboard LLC, and its New Johnsonville, Tennessee containerboard mill to Hood Container Corporation. By completing these transactions, the Company satisfied its divestiture obligations under the Final Judgment. See Note 6 for further details of these divestitures, as well as the planned divestiture of Temple-Inland's Building Products business.

Temple-Inland's results of operations are included in the consolidated financial statements from the date of acquisition on February 13, 2012.

2011: On October 14, 2011, International Paper completed the acquisition of a 75% stake in Andhra Pradesh Paper Mills Limited (APPM). The Company purchased 53.5% of APPM for a purchase price of \$226 million in cash plus assumed debt from private investors. These sellers also entered into a covenant not to compete for which they received a cash payment of \$58 million. Additionally, the Company purchased a 21.5% stake of APPM in a public tender offer completed on October 8, 2011 for \$105 million in cash.

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International Paper recognized an unfavorable currency transaction loss of \$9 million due to strengthening of the dollar against the Indian Rupee prior to the closing date, resulting from cash balances deposited in Indian Rupee denominated escrow accounts.

In November 2011, International Paper appealed a directive from the Securities and Exchange Board of India (SEBI) that would require us to pay to the tendering shareholders the equivalent per share value of the non-compete payment that was paid to the previous controlling shareholders. The Company has deposited approximately \$25 million into an escrow account to fund the additional non-compete payments in the event SEBI's direction is upheld. By an order dated September 12, 2012, the Indian Securities Appellate Tribunal (SAT) upheld the SEBI directive. As a result of this initial unfavorable ruling, International Paper included the \$25 million escrowed cash amount in the final purchase price consideration of APPM. On October 8, 2012, International Paper appealed the SAT's decision to the Indian Supreme Court.

APPM's results of operations are included in the consolidated financial statements from the date of acquisition on October 14, 2011.

2010: On June 30, 2010, International Paper completed the acquisition of SCA Packaging Asia (SCA) for a purchase price of \$202 million, including \$168 million in cash plus assumed debt of \$34 million. The SCA packaging business in Asia consists of 13 corrugated box plants and two specialty packaging facilities, which are primarily in China, along with locations in Singapore, Malaysia and Indonesia. SCA's results of operations are included in the consolidated financial statements from the date of acquisition on June 30, 2010.

Joint Ventures

is not included as it does not have a material effect on the Company's consolidated results of operations. Because International Paper acquired majority control of the joint venture, ORSA IP's financial results will be consolidated with our Industrial Packaging segment from the date of formation on January 14, 2013.

2011: On April 15, 2011, International Paper and Sun Paper Industry Co. Ltd. entered into a Cooperative Joint Venture agreement to establish Shandong IP & Sun Food Packaging Co., Ltd. in China. During December 2011, the business license was obtained and International Paper contributed \$55 million in cash for a 55% interest in the joint venture and Sun Paper Industry Co. Ltd. contributed land-use rights valued at approximately \$28 million, representing a 45% interest. The purpose of the joint venture is to build and operate a new production line to manufacture coated paperboard for food packaging with a designed annual production capacity of 500,000 tons. The financial position and results of operations of this joint venture have been included in International Paper's consolidated financial statements from the date of formation in December 2011.

Additionally, during 2011 the Company recorded a gain of \$7 million (before and after taxes) related to a bargain purchase price adjustment on an acquisition by our joint venture in Turkey. This gain is included in Equity earnings (losses), net of taxes in the accompanying consolidated statement of operations.

Financing Activities

Amounts related to early debt extinguishment during the years ended December 31, 2012, 2011 and 2010 were as follows:

<i>In millions</i>	2012	2011	2010
Debt reductions (a)	\$ 1,272	\$ 129	\$ 393

2013: On January 14, 2013, International Paper and Brazilian corrugated packaging producer, Jari Celulose Embalagens e Papel S.A (Jari), a Grupo Orsa company, formed Orsa International Paper Embalagens S.A. (ORSA IP). The new entity, in which International Paper holds a 75% stake, includes three containerboard mills and four box plants, which make up Jari's former industrial packaging assets. This acquisition supports the Company's strategy of growing its global packaging presence and better serving its global customer base.

The value of International Paper's investment in ORSA IP is approximately \$470 million. The Company has not completed the valuation of assets acquired and liabilities assumed; however, the Company anticipates providing a preliminary purchase price allocation in its 2013 first quarter Form 10-Q filing. Pro forma information related to our investment in the joint venture

Pre-tax early debt extinguishment costs (b)	48	32	39
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(a) Reductions related to notes with interest rates ranging from 1.625% to 9.375% with original maturities from 2010 to 2041 for the years ended December 31, 2012, 2011 and 2010.

(b) Amounts are included in Restructuring and other charges in the accompanying consolidated statements of operations.

2012: Financing activities during 2012 included debt issuances of \$2.1 billion and retirements of \$2.5 billion, for a net decrease of \$0.4 billion.

In February 2012, International Paper issued a \$1.2 billion term loan with an initial interest rate of LIBOR plus a margin of 138 basis points that varies depending on the credit rating of the Company and a \$200 million term loan with an interest rate of LIBOR plus a margin of 175 basis points, both with maturity dates in 2017. The proceeds from these borrowings were used, along with available cash, to fund the acquisition of Temple-

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Inland. During 2012, International Paper fully repaid the \$1.2 billion term loan.

International Paper utilizes interest rate swaps to change the mix of fixed and variable rate debt and manage interest expense. At December 31, 2012, International Paper had interest rate swaps with a total notional amount of \$150 million and maturities in 2013 (see Note 13 Derivatives and Hedging Activities on pages 73 through 77 of Item 8. Financial Statements and Supplementary Data). During 2012, existing swaps and the amortization of deferred gains on previously terminated swaps decreased the weighted average cost of debt from 6.8% to an effective rate of 6.6%. The inclusion of the offsetting interest income from short-term investments reduced this effective rate to 6.2%.

Other financing activities during 2012 included the issuance of approximately 1.9 million shares of treasury stock, net of restricted stock withholding, and 1.0 million shares of common stock for various plans, including stock options exercises that generated approximately \$108 million of cash. Payments of restricted stock withholding taxes totaled \$35 million.

In October 2012, International Paper announced that the quarterly dividend would be increased from \$0.2625 per share to \$0.30 per share, effective for the 2012 fourth quarter.

2011: Financing activities during 2011 included debt issuances of \$1.8 billion and retirements of \$517 million, for a net increase of \$1.3 billion.

In November 2011, International Paper issued \$900 million of 4.75% senior unsecured notes with a maturity date in February 2022 and \$600 million of 6% senior unsecured notes with a maturity date in November 2041.

At December 31, 2011, International Paper had interest rate swaps with a total notional amount of \$150 million and maturities in 2013 (see Note 13 Derivatives and Hedging Activities on pages 73 through 77 of Item 8. Financial Statements and Supplementary Data). During 2011, existing swaps decreased the weighted average cost of debt from 7.1% to an effective rate of 6.9%. The inclusion of the offsetting interest income from short-term investments reduced this effective rate to 6.26%.

Other financing activities during 2011 included the issuance of approximately 0.3 million shares of treasury stock for various incentive plans and the acquisition of 1.0 million shares of treasury stock primarily related to restricted stock tax withholding. Payment

In June 2010, interest rate swap agreements issued in the fourth quarter of 2009 and designated as fair value hedges with a notional value of \$100 million were terminated. The termination was not in connection with the early retirement of debt. The resulting gain of \$3 million was deferred and recorded in Long-term debt and will be amortized as an adjustment of interest expense over the life of the underlying debt through 2019.

During the first quarter of 2010, International Paper repaid approximately \$120 million of notes with interest rates ranging from 5.25% to 7.4% and original maturities from 2010 to 2027. In connection with these early debt retirements, previously deferred gains of \$1 million related to earlier swap terminations were recognized in earnings. Pre-tax early debt retirement costs of \$4 million related to these debt repayments, net of gains on swap terminations, are included in Restructuring and other charges in the accompanying consolidated statement of operations.

Also in the first quarter of 2010, approximately \$700 million of fixed-to-floating interest rate swaps, issued in 2009, were terminated. These terminations were not in connection with early debt retirements. The resulting \$2 million gain was deferred and recorded in Long-term debt and is being amortized as an adjustment of interest expense over the life of the underlying debt through April 2015.

At December 31, 2010, International Paper had interest rate swaps with a total notional amount of \$428 million and maturities ranging from one to six years. During 2010, existing swaps increased the weighted average cost of debt from 7.22% to an effective rate of 7.26%. The inclusion of the offsetting interest income from short-term investments reduced this effective rate to 6.86%.

Other financing activities during 2010 included the issuance of approximately 2.6 million shares of treasury stock, net of restricted stock withholding, and 1.8 million shares of common stock for various plans. Payments of restricted stock withholding taxes totaled \$26 million.

Off-Balance Sheet Variable Interest Entities

Information concerning off-balance sheet variable interest entities is set forth in Note 11 Variable Interest Entities and Preferred Securities of Subsidiaries on pages 69 through 72 of Item 8. Financial Statements and Supplementary Data for discussion.

Liquidity and Capital Resources Outlook for 2013

of restricted stock withholding taxes totaled \$30 million.

2010: Financing activities during 2010 included debt issuances of \$193 million and retirements of \$576 million, for a net decrease of \$383 million.

Capital Expenditures and Long-Term Debt

International Paper expects to be able to meet projected capital expenditures, service existing debt and meet working capital and dividend requirements during 2013

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through current cash balances and cash from operations. Additionally, the Company has existing credit facilities totaling \$2.5 billion.

The Company was in compliance with all its debt covenants at December 31, 2012. The Company's financial covenants require the maintenance of a minimum net worth of \$9 billion and a total debt-to-capital ratio of less than 60%. Net worth is defined as the sum of common stock, paid-in capital and retained earnings, less treasury stock plus any cumulative goodwill impairment charges. The calculation also excludes accumulated other comprehensive income/loss and Nonrecourse Financial Liabilities of Special Purpose Entities. The total debt-to-capital ratio is defined as total debt divided by the sum of total debt plus net worth. At December 31, 2012, International Paper's net worth was \$13.9 billion, and the total-debt-to-capital ratio was 42%.

The Company will continue to rely upon debt and capital markets for the majority of any necessary long-term funding not provided by operating cash flows. Funding decisions will be guided by our capital structure planning objectives. The primary goals of the Company's capital structure planning are to maximize financial flexibility and preserve liquidity while reducing interest expense. The majority of International Paper's debt is accessed through global public capital markets where we have a wide base of investors.

Maintaining an investment grade credit rating is an important element of International Paper's financing strategy. At December 31, 2012, the Company held long-term credit ratings of BBB (stable outlook) and Baa3 (stable outlook) by S&P and Moody's, respectively.

Contractual obligations for future payments under existing debt and lease commitments and purchase obligations at December 31, 2012, were as follows:

In millions	2013	2014	2015	2016	2017	Thereafter
Maturities of long-term debt						
(a)	\$ 444	\$ 708	\$ 479	\$ 571	\$ 216	\$ 7,722
Debt obligations with right of offset (b)	—	—	—	5,173	—	—
Lease obligations	198	136	106	70	50	141
Purchase obligations (c)	3,213	828	722	620	808	2,654
Total (d)	\$ 3,855	\$ 1,672	\$ 1,307	\$ 6,434	\$ 1,074	\$ 10,517

(a) Total debt includes scheduled principal payments only.

(b) Represents debt obligations borrowed from non-consolidated variable interest entities for which International Paper has, and intends to effect, a legal right to offset these obligations with investments held in the entities. Accordingly, in its consolidated balance sheet at December 31, 2012, International Paper has offset approximately \$5.2 billion of interests in the entities against this \$5.2 billion of debt obligations held by the entities (see Note 11 Variable Interest Entities and Preferred Securities of Subsidiaries on pages 69 through 72 in Item 8. Financial Statements and Supplementary Data).

(c) Includes \$3.6 billion relating to fiber supply agreements entered into at the time of the 2006 Transformation Plan forestland sales and in conjunction with the 2008 acquisition of Weyerhaeuser Company's Containerboard, Packaging and Recycling business.

(d) Not included in the above table due to the uncertainty as to the amount and timing of the payment are unrecognized tax benefits of approximately \$620 million.

We consider the undistributed earnings of our foreign subsidiaries as of December 31, 2012, to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. As of December 31, 2012, the amount of cash associated with indefinitely reinvested foreign earnings was approximately \$840 million. We do not anticipate the need to repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

Pension Obligations and Funding

At December 31, 2012, the projected benefit obligation for the Company's U.S. defined benefit plans determined under U.S. GAAP was approximately \$4.1 billion higher than the fair value of plan assets. Approximately \$3.7 billion of this amount relates to plans that are subject to minimum funding requirements. Under current IRS funding rules, the calculation of minimum funding requirements differs from the calculation of the present value of plan benefits (the projected benefit obligation) for accounting purposes. In December 2008, the Worker, Retiree and Employer Recovery Act of 2008 (WERA) was passed by the U.S. Congress which provided for pension funding relief and technical corrections. Funding contributions depend on the funding method selected by the Company, and the timing of its implementation, as well as on actual demographic data and the targeted funding level. The Company continually reassesses the amount and timing of any discretionary contributions and elected to make voluntary contributions totaling \$44 million and \$300 million for the years ended December 31, 2012 and 2011, respectively. At this time, we expect that required contributions to its plans in 2013 will be approximately \$31 million, although the Company may elect to make future voluntary contributions. The timing and amount of future contributions, which could be material, will depend on a number of factors, including the actual earnings and changes in values of plan assets and changes in interest rates.

Ilim Holding S.A. Shareholder's Agreement

In October 2007, in connection with the formation of the Ilim Holding S.A. joint venture, International Paper entered into a shareholder's agreement that includes provisions relating to the reconciliation of disputes among the partners. This agreement provides that at

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any time after the second anniversary of the formation of Ilim, either the Company or its partners may commence procedures specified under the deadlock provisions. Under certain circumstances, the Company would be required to purchase its partners' 50% interest in Ilim. Any such transaction would be subject to review and approval by Russian and other relevant anti-trust authorities. Based on the provisions of the agreement, International Paper estimates that the current purchase price for its partners' 50% interests would be approximately \$350 million to \$400 million, which could be satisfied by payment of cash or International Paper common stock, or some combination of the two, at the Company's option. Any such purchase by International Paper would result in the consolidation of Ilim's financial position and results of operations in all subsequent periods. The parties have informed each other that they have no current intention to commence procedures specified under the deadlock provision of the shareholders' agreement, although they have the right to do so.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires International Paper to establish accounting policies and to make estimates that affect both the amounts and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

Accounting policies whose application may have a significant effect on the reported results of operations and financial position of International Paper, and that can require judgments by management that affect their application, include the accounting for contingencies, impairment or disposal of long-lived assets and goodwill, pensions and postretirement benefit obligations, stock options and income taxes. The Company has discussed the selection of critical accounting policies and the effect of significant estimates with the Audit Committee of the Company's Board of Directors.

Contingent Liabilities

Accruals for contingent liabilities, including legal and environmental matters, are recorded when it is probable that a liability has been incurred or an asset impaired and the amount of the loss can be reasonably estimated. Liabilities accrued for legal matters require judgments regarding projected outcomes and range of loss based on historical experience and recommendations of legal counsel. Liabilities for environmental matters require evaluations of relevant environmental regulations and estimates of future

remediation alternatives and costs. International Paper determines these estimates after a detailed evaluation of each site.

Impairment of Long-Lived Assets and Goodwill

An impairment of a long-lived asset exists when the asset's carrying amount exceeds its fair value, and is recorded when the carrying amount is not recoverable through cash flows from future operations. A goodwill impairment exists when the carrying amount of goodwill exceeds its fair value. Assessments of possible impairments of long-lived assets and goodwill are made when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable through future operations. Additionally, testing for possible impairment of goodwill and intangible asset balances is required annually. The amount and timing of any impairment charges based on these assessments require the estimation of future cash flows and the fair market value of the related assets based on management's best estimates of certain key factors, including future selling prices and volumes, operating, raw material, energy and freight costs, and various other projected operating economic factors. As these key factors change in future periods, the Company will update its impairment analyses to reflect its latest estimates and projections.

Under the provisions of Accounting Standards Codification (ASC) 350, "Intangibles – Goodwill and Other," the testing of goodwill for possible impairment is a two-step process. In the first step, the fair value of the Company's reporting units is compared with their carrying value, including goodwill. If fair value exceeds the carrying value, goodwill is not considered to be impaired. If the fair value of a reporting unit is below the carrying value, then step two is performed to measure the amount of the goodwill impairment loss for the reporting unit. This analysis requires the determination of the fair value of all of the individual assets and liabilities of the reporting unit, including any currently unrecognized intangible assets, as if the reporting unit had been purchased on the analysis date. Once these fair values have been determined, the implied fair value of the unit's goodwill is calculated as the excess, if any, of the fair value of the reporting unit determined in step one over the fair value of the net assets determined in step two. The carrying value of goodwill is then reduced to this implied value, or to zero if the fair value of the assets exceeds the fair value of the reporting unit, through a goodwill impairment charge.

The impairment analysis requires a number of judgments by management. In calculating the estimated fair value of its reporting units in step one, the Company uses the projected future cash flows to be generated by each unit over the estimated remaining useful operating lives of the unit's assets, discounted using the estimated cost-of-capital discount rate for

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each reporting unit. These calculations require many estimates, including discount rates, future growth rates, and cost and pricing trends for each reporting unit. Subsequent changes in economic and operating conditions can affect these assumptions and could result in additional interim testing and goodwill impairment charges in future periods. Upon completion, the resulting estimated fair values are then analyzed for reasonableness by comparing them to earnings multiples for historic industry business transactions, and by comparing the sum of the reporting unit fair values and other corporate assets and liabilities divided by diluted common shares outstanding to the Company's market price per share on the analysis date.

No goodwill impairment charges were recorded in 2012, 2011 or

- (a) Represents the expected rate of return for IP's qualified pension plan. The rate for the Temple-Inland Retirement Plan is 5.70%.

Additionally, health care cost trend rates used in the calculation of U.S. postretirement obligations for the years shown were:

	2012	2011
Health care cost trend rate assumed for next year	7.50%	8.00%
Rate that the cost trend rate gradually declines to	5.00%	5.00%
Year that the rate reaches the rate it is assumed		

2010.

Pension and Postretirement Benefit Obligations

The charges recorded for pension and other postretirement benefit obligations are determined annually in conjunction with International Paper's consulting actuary, and are dependent upon various assumptions including the expected long-term rate of return on plan assets, discount rates, projected future compensation increases, health care cost trend rates and mortality rates.

The calculations of pension and postretirement benefit obligations and expenses require decisions about a number of key assumptions that can significantly affect liability and expense amounts, including the expected long-term rate of return on plan assets, the discount rate used to calculate plan liabilities, the projected rate of future compensation increases and health care cost trend rates.

Benefit obligations and fair values of plan assets as of December 31, 2012, for International Paper's pension and postretirement plans were as follows:

<i>In millions</i>	Benefit Obligation	Fair Value of Plan Assets
U.S. qualified pension	\$ 13,784	\$ 10,111
U.S. nonqualified pension	417	—
U.S. postretirement	449	—
Non-U.S. pension	223	171
Non-U.S. postretirement	22	—

The table below shows assumptions used by International Paper to calculate U.S. pension expenses for the years shown:

	2012	2011	2010
Discount rate	5.10%	5.60%	5.80%
Expected long-term rate of return on plan assets	8.00% (a)	8.25%	8.25%
Rate of compensation increase	3.75%	3.75%	3.75%

to remain

2017

2017

International Paper determines these actuarial assumptions, after consultation with our actuaries, on December 31 of each year to calculate liability information as of that date and pension and postretirement expense for the following year. The expected long-term rate of return on plan assets is based on projected rates of return for current and planned asset classes in the plan's investment portfolio. The discount rate assumption was determined based on a hypothetical settlement portfolio selected from a universe of high quality corporate bonds.

Increasing (decreasing) the expected long-term rate of return on U.S. plan assets by an additional 0.25% would decrease (increase) 2013 pension expense by approximately \$24 million, while a (decrease) increase of 0.25% in the discount rate would (increase) decrease pension expense by approximately \$39 million. The effect on net postretirement benefit cost from a 1% increase or decrease in the annual health care cost trend rate would be approximately \$1 million.

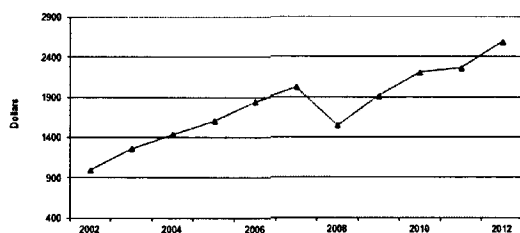
Actual rates of return earned on U.S. pension plan assets for each of the last 10 years were:

Year	Return	Year	Return
2012	14.1 %	2007	9.6%
2011	2.5 %	2006	14.9%
2010	15.1 %	2005	11.7%
2009	23.8 %	2004	14.1%
2008	(23.6)%	2003	26.0%

The 2012 return above represents a weighted average of International Paper and Temple-Inland asset returns. The annualized time-weighted rate of return earned on U.S. pension plan assets was 5.0% and 9.9% for the past five and ten years, respectively. The following graph shows the growth of a \$1,000 investment in International Paper's U.S. Pension Plan Master Trust. The graph portrays the time-weighted rate of return from 2002 – 2012.

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ASC 715, "Compensation – Retirement Benefits," provides for delayed recognition of actuarial gains and losses, including amounts arising from changes in the estimated projected plan benefit obligation due to changes in the assumed discount rate, differences between the actual and expected return on plan assets, and other assumption changes. These net gains and losses are recognized in pension expense prospectively over a period that approximates the average remaining service period of active employees expected to receive benefits under the plans (approximately nine years) to the extent that they are not offset by

<i>In millions</i>	2014 (1)	2013 (1)
Pension expense		
U.S. plans (non-cash)	\$ 461	\$ 561
Non-U.S. plans	5	5
Postretirement expense		
U.S. plans	13	5
Non-U.S. plans	2	2
Net expense	\$ 481	\$ 573

(1) Based on assumptions at December 31, 2012.

The Company estimates that it will record net pension expense of approximately \$561 million for its U.S. defined benefit plans in 2013, with the increase from expense of \$342 million in 2012 reflecting a decrease in the assumed discount rate to 4.10% in 2013 from 5.10% in 2012, a lower return on asset assumption for Temple-Inland plan assets to 5.30% in 2013 from 5.70% in 2012 and higher amortization of unrecognized losses.

The market value of plan assets for International Paper's U.S.

gains and losses in subsequent years. The estimated net loss and prior service cost that will be amortized from accumulated other comprehensive income into net periodic pension cost for the U.S. pension plans over the next fiscal year are \$490 million and \$34 million, respectively.

Net periodic pension and postretirement plan expenses, calculated for all of International Paper's plans, were as follows:

<i>In millions</i>	2012	2011	2010	2009	2008
Pension expense					
U.S. plans (non-cash) \$	342 \$	195 \$	231 \$	213 \$	123
Non-U.S. plans	3	1	—	3	4
Postretirement expense					
U.S. plans	(4)	7	6	27	28
Non-U.S. plans	1	2	1	3	3
Net expense	\$ 342 \$	205 \$	238 \$	246 \$	158

The increase in 2012 U.S. pension expense principally reflects a decrease in the discount rate, a lower expected return on assets assumption and the acquisition of Temple-Inland. The decrease in 2012 U.S. postretirement expense is principally due to a curtailment gain related to the remeasurement of the Temple-Inland plan.

Assuming that discount rates, expected long-term returns on plan assets and rates of future compensation increases remain the same as in 2012, projected future net periodic pension and postretirement plan expenses would be as follows:

qualified pension plan at December 31, 2012 totaled approximately \$10.1 billion, consisting of approximately 41% equity securities, 38% debt securities, 10% real estate and 11% other assets. Plan assets include an immaterial amount of International Paper common stock.

The Company's funding policy for its qualified pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that the Company may determine to be appropriate considering the funded status of the plan, tax deductibility, the cash flows generated by the Company, and other factors. The Company continually reassesses the amount and timing of any discretionary contributions and could elect to make voluntary contributions in the future. The required contribution for the U.S. qualified pension plans in 2013 is approximately \$31 million. The nonqualified defined benefit plans are funded to the extent of benefit payments, which totaled \$95 million for the year ended December 31, 2012.

Accounting for Stock Options

International Paper follows ASC 718, "Compensation – Stock Compensation," in accounting for stock options. Under this guidance, expense for stock options is recorded over the related service period based on the grant-date fair market value.

During each reporting period, diluted earnings per share is calculated by assuming that "in-the-money" options are exercised and the exercise proceeds are used to repurchase shares in the marketplace. When options are actually exercised, option proceeds are credited to equity and issued shares are included in the computation of earnings per common share, with no effect on reported earnings. Equity is also increased by

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the tax benefit that International Paper will receive in its tax return for income reported by the optionees in their individual tax returns.

At December 31, 2012 and 2011, 9.1 million options, and 15.6 million options, respectively, were outstanding with exercise prices ranging from \$33.74 to \$41.26 per share for 2012 and \$32.54 to \$43.12 per share for 2011.

Income Taxes

International Paper records its global tax provision based on the respective tax rules and regulations for the jurisdictions in which it operates. Where the Company believes that a tax position is supportable for income tax purposes, the item is included in its income tax returns. Where treatment of a position is uncertain, liabilities are recorded based upon the Company's evaluation of the "more likely than not" outcome considering technical merits of the position based on specific tax regulations and facts of each matter. Changes to recorded liabilities are only made when an identifiable event occurs that changes the likely outcome, such as settlement with the relevant tax authority, the expiration of statutes of limitation for the subject tax year, change in tax laws, or a recent court case that addresses the matter.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Significant judgment is required in evaluating the need for and magnitude of appropriate valuation allowances against deferred tax assets. The realization of these assets is dependent on generating future taxable income, as well as successful implementation of various tax planning strategies.

While International Paper believes that these judgments and

RECENT ACCOUNTING DEVELOPMENTS

There were no new accounting pronouncements issued or effective during the fiscal year which have had or are expected to have a material impact on the Company's consolidated financial statements. See Note 2 Recent Accounting Developments on pages 54 through 55 of Item 8. Financial Statements and Supplementary Data for a discussion of new accounting pronouncements.

LEGAL PROCEEDINGS

Information concerning the Company's environmental and legal proceedings is set forth in Note 10 Commitments and Contingencies on pages 65 through 69 of Item 8. Financial Statements and Supplementary Data.

EFFECT OF INFLATION

While inflationary increases in certain input costs, such as energy, wood fiber and chemical costs, have an impact on the Company's operating results, changes in general inflation have had minimal impact on our operating results in each of the last three years. Sales prices and volumes are more strongly influenced by economic supply and demand factors in specific markets and by exchange rate fluctuations than by inflationary factors.

FOREIGN CURRENCY EFFECTS

International Paper has operations in a number of countries. Its operations in those countries also export to, and compete with, imports from other regions. As such, currency movements can have a number of direct and indirect impacts on the Company's financial statements. Direct impacts include the translation of

estimates are appropriate and reasonable under the circumstances, actual resolution of these matters may differ from recorded estimated amounts.

The Company's effective income tax rates, before equity earnings and discontinued operations, were 32%, 21% and 27% for 2012, 2011 and 2010, respectively. These effective tax rates include the tax effects of certain special items that can significantly affect the effective income tax rate in a given year, but may not recur in subsequent years. Management believes that the effective tax rate computed after excluding these special items may provide a better estimate of the rate that might be expected in future years if no additional special items were to occur in those years. Excluding these special items, the effective income tax rate for 2012 was 29% of pre-tax earnings compared with 32% in 2011 and 30% in 2010. We estimate that the 2013 effective income tax rate will be approximately 31-33% based on expected earnings and business conditions.

international operations' local currency financial statements into U.S. dollars. Indirect impacts include the change in competitiveness of imports into, and exports out of, the United States (and the impact on local currency pricing of products that are traded internationally). In general, a lower U.S. dollar and stronger local currency is beneficial to International Paper. The currencies that have the most impact are the Euro, the Brazilian real, the Polish zloty and the Russian ruble.

MARKET RISK

We use financial instruments, including fixed and variable rate debt, to finance operations, for capital spending programs and for general corporate purposes. Additionally, financial instruments, including various derivative contracts, are used to hedge exposures to interest rate, commodity and foreign currency risks. We do not use financial instruments for

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trading purposes. Information related to International Paper's debt obligations is included in Note 12 Debt and Lines of Credit on pages 72 and 73 of Item 8. Financial Statements and Supplementary Data. A discussion of derivatives and hedging activities is included in Note 13 Derivatives and Hedging Activities on pages 73 through 77 of Item 8. Financial Statements and Supplementary Data.

The fair value of our debt and financial instruments varies due to changes in market interest and foreign currency rates and commodity prices since the inception of the related instruments. We assess this market risk utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest and currency rates and commodity prices.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to short- and long-term debt obligations and investments in marketable securities. We invest in investment-grade securities of financial institutions and money market mutual funds with a minimum rating of AAA and limit exposure to any one issuer or fund. Our investments in marketable securities at December 31, 2012 and 2011 are stated at cost, which approximates market due to their short-term nature. Our interest rate risk exposure related to these investments was not material.

We issue fixed and floating rate debt in a proportion consistent with International Paper's targeted capital structure, while at the same time taking advantage of market opportunities to reduce interest expense as appropriate. Derivative instruments, such as interest rate swaps, may be used to implement this capital structure. At December 31, 2012 and 2011, the net fair value liability of financial instruments with exposure to interest rate risk was approximately \$11.8 billion and \$10.5 billion, respectively. The potential loss in fair value resulting from a 10% adverse shift in quoted interest rates would have been approximately \$642 million and \$505 million at December 31, 2012 and 2011, respectively.

Commodity Price Risk

The objective of our commodity exposure management is to minimize volatility in earnings due to large fluctuations in the price of commodities. Commodity swap and option contracts have been used to manage risks associated with market fluctuations in energy prices. The net fair value liability of such outstanding energy hedge contracts at December 31, 2012 and 2011 was approximately \$1 million and \$10 million, respectively. The potential loss in fair value resulting from a 10% adverse change in the underlying commodity prices would have been approximately \$1 million and \$2 million at December 31, 2012 and 2011, respectively.

Foreign Currency Risk

International Paper transacts business in many currencies and is also subject to currency exchange rate risk through investments and businesses owned and operated in foreign countries. Our objective in managing the associated foreign currency risks is to minimize the effect of adverse exchange rate fluctuations on our after-tax cash flows. We address these risks on a limited basis by financing a portion of our investments in overseas operations with borrowings denominated in the same currency as the operation's functional currency, or by entering into cross-currency and interest rate swaps, or foreign exchange contracts. At December 31, 2012 and 2011, the net fair value liability of financial instruments with exposure to foreign currency risk was approximately \$13 million and \$52 million, respectively. The potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would have been approximately \$49 million and \$59 million at December 31, 2012 and 2011, respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the preceding discussion and Note 13 Derivatives and Hedging Activities on pages 73 through 77 of Item 8. Financial Statements and Supplementary Data.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT ON: Financial Statements

The management of International Paper Company is responsible for the preparation of the consolidated financial statements in this annual report and for establishing and maintaining adequate internal controls over financial reporting. The consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America considered appropriate in the circumstances to present fairly the Company's consolidated financial position, results of operations and cash flows on a consistent basis. Management has also prepared the other information in this annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

As can be expected in a complex and dynamic business environment, some financial statement amounts are based on estimates and judgments. Even though estimates and judgments are used, measures have been taken to provide reasonable assurance of the integrity and reliability of the financial information contained in this annual report. We have formed a Disclosure Committee to oversee this process.

The accompanying consolidated financial statements have been audited by the independent registered public accounting firm, Deloitte & Touche LLP. During its audits, Deloitte & Touche LLP was given unrestricted access to all financial records and related data, including minutes of all meetings of stockholders and the board of directors and all committees of the board. Management believes that all representations made to the independent auditors during their audits were valid and appropriate.

Internal Control Over Financial Reporting

The management of International Paper Company is also responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore can provide only reasonable assurance of achieving the designed control objectives. The Company's internal control system is supported by written policies and procedures,

contains self-monitoring mechanisms, and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified.

The Company has assessed the effectiveness of its internal control over financial reporting as of December 31, 2012. In making this assessment, it used the criteria described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of December 31, 2012, the Company's internal control over financial reporting was effective.

The Company completed the acquisition of Temple-Inland in February 2012. Due to the timing of the acquisition, we have excluded Temple-Inland from our evaluation of the effectiveness of internal control over financial reporting. For the period ended December 31, 2012, Temple-Inland net sales and assets represented approximately 19% of net sales and 25% of total assets.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued its report on the effectiveness of the Company's internal control over financial reporting. The report appears on pages 45 and 46.

Internal Control Environment And Board Of Directors Oversight

Our internal control environment includes an enterprise-wide attitude of integrity and control consciousness that establishes a positive "tone at the top." This is exemplified by our ethics program that includes long-standing principles and policies on ethical business conduct that require employees to maintain the highest ethical and legal standards in the conduct of International Paper business, which have been distributed to all employees; a toll-free telephone helpline whereby any employee may anonymously report suspected violations of law or International Paper's policy; and an office of ethics and business practice. The internal control system further includes careful selection and training of supervisory and management personnel, appropriate delegation of authority and division of responsibility, dissemination of accounting and business policies throughout International Paper, and an extensive program of internal audits with management follow-up.

The Board of Directors, assisted by the Audit and Finance Committee (Committee), monitors the integrity of the Company's financial statements and financial reporting procedures, the performance of the Company's internal audit function and independent auditors, and other matters set forth in its charter. The Committee, which currently consists of four independent directors, meets regularly with

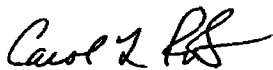
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representatives of management, and with the independent auditors and the Internal Auditor, with and without management representatives in attendance, to review their activities. The Committee's Charter takes into account the New York Stock Exchange rules relating to Audit Committees and the SEC rules and regulations promulgated as a result of the Sarbanes-Oxley Act of 2002. The Committee has reviewed and discussed the consolidated financial statements for the year ended December 31, 2012, including critical accounting policies and significant management judgments, with management and the independent auditors. The Committee's report recommending the inclusion of such financial statements in this Annual Report on

Form 10-K will be set forth in our Proxy Statement.



JOHN V. FARACI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



CAROL L. ROBERTS
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

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**REPORT OF DELOITTE & TOUCHE LLP, INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM, ON
CONSOLIDATED FINANCIAL STATEMENTS**

To the Board of Directors and Shareholders of International Paper Company:

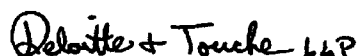
We have audited the accompanying consolidated balance sheets of International Paper Company and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of International Paper Company and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the

Treadway Commission, and our report dated February 26, 2013, expressed an unqualified opinion on the Company's internal control over financial reporting.



Memphis, Tennessee
February 26, 2013

**REPORT OF DELOITTE & TOUCHE LLP, INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM, ON INTERNAL
CONTROL OVER FINANCIAL REPORTING**

To the Board of Directors and Shareholders of International Paper Company:

We have audited the internal control over financial reporting of International Paper Company and subsidiaries (the "Company") as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in the Report of Management on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Temple-Inland Inc. (Temple-Inland) which was acquired on February 13, 2012. Temple-Inland constitutes 19% of total net sales and 25% of total assets of the consolidated financial statements as of and for the year ended December 31, 2012. Accordingly our audit did not include internal control over financial reporting at Temple-Inland. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the

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circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2012 of the Company and our report dated February 26, 2013

expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte + Touche LLP

Memphis, Tennessee
February 26, 2013

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<i>In millions, except per share amounts, for the years ended December 31</i>	2012	2011	2010
NET SALES	\$ 27,833	\$ 26,034	\$ 25,179
COSTS AND EXPENSES			
Cost of products sold	20,587	18,960	18,482
Selling and administrative expenses	2,092	1,887	1,930
Depreciation, amortization and cost of timber harvested	1,486	1,332	1,456
Distribution expenses	1,611	1,390	1,318
Taxes other than payroll and income taxes	166	146	192
Restructuring and other charges	109	102	394
Net (gains) losses on sales and impairments of businesses	86	218	(23)
Interest expense, net	672	541	608
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY EARNINGS	1,024	1,458	822

Income tax provision (benefit)	331	311	221
Equity earnings (loss), net of taxes	61	140	111
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	754	1,287	712
Discontinued operations, net of taxes	45	49	—
NET EARNINGS (LOSS)	799	1,336	712
Less: Net earnings (loss) attributable to noncontrolling interests	5	14	21
NET EARNINGS (LOSS) ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY	\$ 794	\$ 1,322	\$ 691
BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS			
Earnings (loss) from continuing operations	\$ 1.72	\$ 2.95	\$ 1.61
Discontinued operations, net of taxes	0.10	0.11	—
Net earnings (loss)	\$ 1.82	\$ 3.06	\$ 1.61
DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS			
Earnings (loss) from continuing operations	\$ 1.70	\$ 2.92	\$ 1.59
Discontinued operations, net of taxes	0.10	0.11	—
Net earnings (loss)	\$ 1.80	\$ 3.03	\$ 1.59
AMOUNTS ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS			
Earnings (loss) from continuing operations	\$ 749	\$ 1,273	\$ 691
Discontinued operations, net of taxes	45	49	—
Net earnings (loss)	\$ 794	\$ 1,322	\$ 691

The accompanying notes are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions for the years ended December 31</i>	2012	2011	2010
Net Earnings (Loss)	\$ 799	\$ 1,336	\$ 712
Other Comprehensive Income (Loss), Net of Tax:			
Amortization of pension and post-retirement prior service costs and net loss:			
U.S. plans (less tax of \$124, \$88 and \$73)	195	139	114
Pension and postretirement liability adjustments:			
U.S. plans (less tax of \$583, \$498 and \$54)	(914)	(783)	85
Non-U.S. plans (less tax of \$9, \$3 and \$3)	(25)	(5)	(4)
Change in cumulative foreign currency translation adjustment	(131)	(492)	69
Net gains/losses on cash flow hedging derivatives:			
Net gains (losses) arising during the period (less tax of \$1, \$17 and \$9)	15	(43)	23
Reclassification adjustment for (gains) losses included in net earnings (less tax of \$13, \$8 and \$4)	22	8	(31)
Total Other Comprehensive Income (Loss), Net of Tax	(838)	(1,176)	256
Comprehensive Income (Loss)	(39)	160	968
Net (earnings) loss attributable to noncontrolling interests	(5)	(14)	(21)
Other comprehensive (income) loss attributable to noncontrolling interests	3	(4)	(2)
Comprehensive Income (Loss) Attributable to International Paper Company	\$ (41)	\$ 142	\$ 945

The accompanying notes are an integral part of these financial statements.

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CONSOLIDATED BALANCE SHEET

<i>In millions, except per share amounts, at December 31</i>	2012	2011
ASSETS		

Current Assets

Cash and temporary investments	\$ 1,302	\$ 3,994
Accounts and notes receivable, less allowances of \$119 in 2012 and \$126 in 2011	3,562	3,486
Inventories	2,730	2,320
Deferred income tax assets	323	296
Assets of businesses held for sale	759	196
Other current assets	229	164
Total Current Assets	8,905	10,456
Plants, Properties and Equipment, net	13,949	11,817
Forestlands	622	660
Investments	887	657
Financial Assets of Special Purpose Entities (Note 11)	2,108	—
Goodwill	4,315	2,346
Deferred Charges and Other Assets	1,367	1,082
Total Assets	\$ 32,153	\$ 27,018

LIABILITIES AND EQUITY

Current Liabilities

Notes payable and current maturities of long-term debt	\$ 444	\$ 719
Accounts payable	2,775	2,500
Accrued payroll and benefits	508	467
Liabilities of businesses held for sale	44	43
Other accrued liabilities	1,227	1,009
Total Current Liabilities	4,998	4,738

Long-Term Debt

Nonrecourse Financial Liabilities of Special Purpose Entities (Note 11)	2,036	—
Deferred Income Taxes	3,026	2,497
Pension Benefit Obligation	4,112	2,375
Postretirement and Postemployment Benefit Obligation	473	476
Other Liabilities	1,176	758

Commitments and Contingent Liabilities (Note 10)

Equity		
Common stock \$1 par value, 2012 – 439.9 shares and 2011 – 438.9 shares	440	439
Paid-in capital	6,042	5,908
Retained earnings	3,662	3,355
Accumulated other comprehensive loss	(3,840)	(3,005)
	6,304	6,697
Less: Common stock held in treasury, at cost, 2012 – 0.013 shares and 2011 – 1.9 shares	—	52
Total Shareholders' Equity	6,304	6,645
Noncontrolling interests	332	340
Total Equity	6,636	6,985
Total Liabilities and Equity	\$ 32,153	\$ 27,018

The accompanying notes are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions for the years ended December 31</i>	2012	2011	2010
OPERATING ACTIVITIES			
Net earnings (loss)	\$ 799	\$ 1,336	\$ 712
Discontinued operations, net of taxes	(45)	(49)	—
Earnings (loss) from continuing operations	754	1,287	712
Depreciation, amortization, and cost of timber harvested	1,486	1,332	1,456
Deferred income tax provision (benefit), net	204	317	422
Restructuring and other charges	109	102	394

Pension plan contribution	(44)	(300)	(1,150)
Cost of forestlands sold	—	—	143
Periodic pension expense, net	342	195	231
Net (gains) losses on sales and impairments of businesses	86	218	(23)
Equity (earnings) losses, net of taxes	(61)	(140)	(111)
Other, net	—	169	15
Changes in current assets and liabilities			
Accounts and notes receivable	377	(128)	(327)
Inventories	(28)	(56)	(186)
Accounts payable and accrued liabilities	(273)	(389)	(52)
Interest payable	30	6	3
Other	(22)	62	104
Cash provided by (used for) operating activities - continuing operations	2,960	2,675	1,631
Cash provided by (used for) operating activities - discontinued operations	7	—	—
Cash Provided by (Used for) Operating Activities	2,967	2,675	1,631
INVESTMENT ACTIVITIES			
Invested in capital projects	(1,383)	(1,159)	(775)
Acquisitions, net of cash acquired	(3,734)	(379)	(152)
Proceeds from divestitures	474	50	—
Equity investment in Ilim	(45)	—	—
Escrow arrangement	—	(25)	—
Other	(80)	26	93
Cash provided by (used for) investment activities - continuing operations	(4,768)	(1,487)	(834)
Cash provided by (used for) investment activities - discontinued operations	(90)	—	—
Cash Provided by (Used for) Investment Activities	(4,858)	(1,487)	(834)
FINANCING ACTIVITIES			
Repurchase of common stock and payments of restricted stock tax withholding	(35)	(30)	(26)
Issuance of common stock	108	—	—
Issuance of debt	2,132	1,766	193
Reduction of debt	(2,488)	(517)	(576)
Change in book overdrafts	11	(29)	38
Dividends paid	(476)	(427)	(175)
Other	(47)	(21)	(42)
Cash Provided by (Used for) Financing Activities	(795)	742	(588)
Effect of Exchange Rate Changes on Cash	(6)	(9)	(28)
Change in Cash and Temporary Investments	(2,692)	1,921	181
Cash and Temporary Investments			
Beginning of the period	3,994	2,073	1,892
End of the period	\$ 1,302	\$ 3,994	\$ 2,073

The accompanying notes are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions	Common Stock Issued	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total International Paper Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2010	\$ 437	\$ 5,803	\$ 1,946	\$ (2,079)	\$ 89	\$ 6,018	\$ 232	\$ 6,250
Issuance of stock for various plans, net	2	38	—	—	(87)	127	—	127
Repurchase of stock	—	—	—	—	26	(26)	—	(26)
Dividends	—	—	(177)	—	—	(177)	—	(177)
Dividends paid to noncontrolling interests by subsidiary	—	—	—	—	—	—	(6)	(6)
Noncontrolling interests of acquired entities	—	—	—	—	—	—	9	9
Acquisition of noncontrolling interests	—	(12)	—	—	—	(12)	(8)	(20)

Comprehensive income (loss)	—	—	691	254	—	945	23	968
BALANCE, DECEMBER 31, 2010	439	5,829	2,460	(1,825)	28	6,875	250	7,125
Issuance of stock for various plans, net	—	79	—	—	(6)	85	—	85
Repurchase of stock	—	—	—	—	30	(30)	—	(30)
Dividends	—	—	(427)	—	—	(427)	—	(427)
Dividends paid to noncontrolling interests by subsidiary	—	—	—	—	—	—	(5)	(5)
Noncontrolling interests of acquired entities	—	—	—	—	—	—	37	37
Acquisition of noncontrolling interests	—	—	—	—	—	—	40	40
Comprehensive income (loss)	—	—	1,322	(1,180)	—	142	18	160
BALANCE, DECEMBER 31, 2011	439	5,908	3,355	(3,005)	52	6,845	340	6,985
Issuance of stock for various plans, net	1	134	—	—	(87)	222	—	222
Repurchase of stock	—	—	—	—	35	(35)	—	(35)
Dividends	—	—	(487)	—	—	(487)	—	(487)
Dividends paid to noncontrolling interests by subsidiary	—	—	—	—	—	—	(6)	(6)
Noncontrolling interests of acquired entities	—	—	—	—	—	—	(4)	(4)
Comprehensive income (loss)	—	—	794	(835)	—	(41)	2	(39)
BALANCE, DECEMBER 31, 2012	\$ 440	\$ 6,042	\$ 3,662	(3,840)	\$ —	\$ 6,304	\$ 332	\$ 6,636

The accompanying notes are an integral part of these financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

International Paper (the Company) is a global paper and packaging company that is complemented by an extensive North American merchant distribution system, with primary markets and manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to available industry capacity and general economic conditions.

FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States that require the use of management's estimates. Actual results could differ from management's estimates.

CONSOLIDATION

The consolidated financial statements include the accounts of International Paper and its wholly-owned, controlled majority-owned and financially controlled subsidiaries. All significant intercompany balances and transactions are eliminated.

International Paper accounts for its investment in Ilim Holding S.A. (Ilim), a separate reportable industry segment, using the equity method of accounting. Prior to 2012, due to the complex organizational structure of Ilim's operations, and the extended time required to prepare consolidated financial information in accordance with accounting principles generally accepted in the United States, the Company reported its share of Ilim's operating results on a one-quarter lag basis. In 2012, the Company determined that the elimination of the one-quarter lag was

The elimination of the one-quarter reporting lag for Ilim had the following impact:

Consolidated Statement of Operations

<i>In millions</i>	2011	2010
Equity earnings (loss), net of taxes	\$ (19)	\$ 47
Earnings (loss) from continuing operations	(19)	47
Net earnings (loss) attributable to International Paper Company	(19)	47
Basic earnings (loss) per share from continuing operations	(0.04)	0.11
Basic net earnings (loss) per share	(0.04)	0.11
Diluted earnings (loss) per share from continuing operations	(0.04)	0.11
Diluted net earnings (loss) per share	(0.04)	0.11

Consolidated Balance Sheet

<i>In millions at December 31</i>	2011
Investments	\$ 25
Retained earnings	25

Investments in affiliated companies where the Company has significant influence over their operations are accounted for by the equity method. International Paper's share of affiliates' results of operations totaled earnings of \$61 million, \$140 million and \$111 million in 2012, 2011 and 2010, respectively.

REVENUE RECOGNITION

Revenue is recognized when the customer takes title and assumes the risks and rewards of ownership. Revenue is

preferable because the same period-end reporting date improves overall financial reporting as the impact of current events, economic conditions and global trends are consistently reflected in the financial statements. Beginning January 1, 2012, the Company has applied this change in accounting principle retrospectively to all prior financial reporting periods presented.

recorded at the time of shipment for terms designated f.o.b. (free on board) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site, when title and risk of loss are transferred. Timber and forestland sales revenue is generally recognized when title and risk of loss pass to the buyer.

SHIPPING AND HANDLING COSTS

Shipping and handling costs, such as freight to our customers' destinations, are included in distribution expenses in the consolidated statement of operations. When shipping and handling costs are included in the sales price charged for our products, they are recognized in net sales.

ANNUAL MAINTENANCE COSTS

Costs for repair and maintenance activities are expensed in the month that the related activity is performed under the direct expense method of accounting.

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TEMPORARY INVESTMENTS

Temporary investments with an original maturity of three months or less are treated as cash equivalents and are stated at cost, which approximates market.

INVENTORIES

Inventories are valued at the lower of cost or market and include all costs directly associated with manufacturing products: materials, labor and manufacturing overhead. In the United States, costs of raw materials and finished pulp and paper products, other than newly acquired inventory from the Temple-Inland, Inc. acquisition, are generally determined using the last-in, first-out method. Other inventories are valued using the first-in, first-out or average cost methods.

PLANTS, PROPERTIES AND EQUIPMENT

Plants, properties and equipment are stated at cost, less accumulated depreciation. Expenditures for betterments are capitalized, whereas normal repairs and maintenance are expensed as incurred. The units-of-production method of depreciation is used for major pulp and paper mills, and the straight-line method is used for other plants and equipment. Annual straight-line depreciation rates are, for buildings — 2.50% to 8.50%, and for machinery and equipment — 5% to 33%.

FORESTLANDS

At December 31, 2012, International Paper and its subsidiaries owned or managed approximately 327,000 acres of forestlands in Brazil, and through licenses and forest management agreements, had harvesting rights on government-owned forestlands in Russia. Costs attributable to timber are charged against income as trees are cut. The rate charged is determined annually based on the relationship of incurred costs to estimated current merchantable volume.

GOODWILL

Goodwill relating to a single business reporting unit is included as an asset of the applicable segment, while goodwill arising from major acquisitions that involve multiple business segments is classified as a corporate asset for segment reporting purposes. For goodwill impairment testing, this goodwill is allocated to reporting units. Annual testing for possible goodwill impairment is performed as of the beginning of the fourth quarter of each year,

estimated remaining useful operating lives of the unit's assets, discounted using the estimated cost of capital for each reporting unit. These estimated fair values are then analyzed for reasonableness by comparing them to historic market transactions for businesses in the industry, and by comparing the sum of the reporting unit fair values and other corporate assets and liabilities divided by diluted common shares outstanding to the Company's traded stock price on the testing date. For reporting units whose recorded value of net assets plus goodwill is in excess of their estimated fair values, the fair values of the individual assets and liabilities of the respective reporting units are then determined to calculate the amount of any goodwill impairment charge required. See Note 8 for further discussion.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable, measured by comparing their net book value to the undiscounted projected future cash flows generated by their use. Impaired assets are recorded at their estimated fair value. See Note 6 for further discussion.

INCOME TAXES

International Paper uses the asset and liability method of accounting for income taxes whereby deferred income taxes are recorded for the future tax consequences attributable to differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are remeasured to reflect new tax rates in the periods rate changes are enacted.

International Paper records its worldwide tax provision based on the respective tax rules and regulations for the jurisdictions in which it operates. Where the Company believes that a tax position is supportable for income tax purposes, the item is included in its income tax returns. Where treatment of a position is uncertain, liabilities are recorded based upon the Company's evaluation of the "more likely than not" outcome considering the technical merits of the position based on specific tax regulations and the facts of each matter. Changes to recorded liabilities are made only when

with additional interim testing performed when management believes that it is more likely than not events or circumstances have occurred that would result in the impairment of a reporting unit's goodwill.

In performing this testing, the Company estimates the fair value of its reporting units using the projected future cash flows to be generated by each unit over the

an identifiable event occurs that changes the likely outcome, such as settlement with the relevant tax authority, the expiration of statutes of limitation for the subject tax year, a change in tax laws, or a recent court case that addresses the matter.

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While the judgments and estimates made by the Company are based on management's evaluation of the technical merits of a matter, assisted as necessary by consultation with outside consultants, historical experience and other assumptions that management believes are appropriate and reasonable under current circumstances, actual resolution of these matters may differ from recorded estimated amounts, resulting in charges or credits that could materially affect future financial statements.

STOCK-BASED COMPENSATION

Compensation costs resulting from all stock-based compensation transactions are measured and recorded in the consolidated financial statements based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards are remeasured each reporting period. Compensation cost is recognized over the period that an employee provides service in exchange for the award.

ENVIRONMENTAL REMEDIATION COSTS

Costs associated with environmental remediation obligations are accrued when such costs are probable and reasonably estimable. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are discounted to their present value when the amount and timing of expected cash payments are reliably determinable.

ASSET RETIREMENT OBLIGATIONS

A liability and an asset are recorded equal to the present value of the estimated costs associated with the retirement of long-lived assets where a legal or contractual obligation exists and the liability can be reasonably estimated. The liability is accreted over time and the asset is depreciated over the life of the related equipment or facility. International Paper's asset retirement obligations principally relate to closure costs for landfills. Revisions to the liability could occur due to changes in the estimated costs or timing of closures, or possible new federal or state regulations affecting these closures.

In connection with potential future closures or redesigns of certain production facilities, it is possible that the Company may be required to take steps to remove certain materials from these facilities. Applicable regulations and standards provide that the removal of certain materials would only be required if the facility were to be demolished or underwent major renovations. At this time, any such obligations have an indeterminate settlement date, and the Company believes that adequate information does not exist to apply an expected-present-value technique to estimate any such potential obligations. Accordingly, the Company does not record a liability for such remediation until a

decision is made that allows reasonable estimation of the timing of such remediation.

TRANSLATION OF FINANCIAL STATEMENTS

Balance sheets of international operations are translated into U.S. dollars at year-end exchange rates, while statements of operations are translated at average rates. Adjustments resulting from financial statement translations are included as cumulative translation adjustments in Accumulated other comprehensive loss.

NOTE 2 RECENT ACCOUNTING DEVELOPMENTS

Other than as described below, no new accounting pronouncement issued or effective during the fiscal year has had or is expected to have a material impact on the consolidated financial statements.

DISCLOSURES ABOUT OFFSETTING ASSETS AND LIABILITIES

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, "Disclosures about Offsetting Assets and Liabilities", which amends ASC 210, "Balance Sheet". This ASU requires entities to disclose gross and net information about both instruments and transactions eligible for offset in the statement of financial position and those subject to an agreement similar to a master netting arrangement. This would include derivatives and other financial securities arrangements. This guidance is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013 and must be applied retrospectively. The adoption will not have a material effect on the Company's consolidated financial statements.

INTANGIBLES – GOODWILL AND OTHER

In September 2011, the FASB issued Accounting Standards Update (ASU) 2011-8, "Intangibles – Goodwill and Other." This guidance provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit as described in ASC paragraph 350-20-35-4. This guidance was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company adopted the

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provisions of this guidance in conjunction with its annual impairment testing in the fourth quarter of 2012 with no material effect on its consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment," which amends ASC 350, "Intangibles - Goodwill and Other." This ASU gives an entity the option to first assess qualitative factors if it is more likely than not that the fair value of indefinite-lived intangible assets are less than their carrying amount. If that assessment indicates no impairment, the quantitative impairment test is not required. This amendment is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption will not have a material effect on the Company's consolidated financial statements.

COMPREHENSIVE INCOME

In June 2011, the FASB issued ASU 2011-5, "Presentation of Comprehensive Income," which revises the manner in which entities should present comprehensive income in their financial statements. The new guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company adopted the provisions of this guidance in using the two statement approach in the first quarter of 2012 on a retrospective basis for all periods presented.

In December 2011, the FASB issued ASU 2011-12, "Presentation of Comprehensive Income," which defers certain provisions of ASU 2011-5 that require entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented (for both interim and annual financial statements). This requirement is indefinitely deferred by ASU 2011-12 and will be further deliberated by the FASB at a future date. The Company does not anticipate that the adoption of the remaining requirements of this guidance will have a material effect on its consolidated financial statements.

FAIR VALUE MEASUREMENTS

In May 2011, the FASB issued ASU 2011-4, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." This ASU is the result of joint efforts by the FASB and International Accounting Standards Board (IASB) to develop converged guidance on how to measure fair value and what disclosures to provide about fair value measurements. The ASU is largely

consistent with existing fair value measurement principles in U.S. GAAP; however, it expands existing disclosure requirements for fair value measurements and makes other amendments, many of which eliminate unnecessary wording differences between U.S. GAAP and IFRS. This ASU is effective for interim and annual periods beginning after December 15, 2011. The application of the requirements of this guidance did not have a material effect on the consolidated financial statements.

NOTE 3 EARNINGS PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS

Basic earnings per share is computed by dividing earnings by the weighted average number of common shares outstanding. Diluted earnings per share is computed assuming that all potentially dilutive securities, including "in-the-money" stock options, were converted into common shares.

A reconciliation of the amounts included in the computation of basic earnings (loss) per share from continuing operations, and diluted earnings (loss) per share from continuing operations is as follows:

<i>In millions, except per share amounts</i>	2012	2011	2010
Earnings (loss) from continuing operations	\$ 749	\$ 1,273	\$ 691
Effect of dilutive securities (a)	—	—	—
Earnings (loss) from continuing operations —assuming dilution	\$ 749	\$ 1,273	\$ 691
Average common shares outstanding	435.2	432.2	429.8
Effect of dilutive securities (a):			
Restricted performance share plan	5.0	4.8	4.4
Stock options (b)	—	—	—
Average common shares outstanding — assuming dilution	440.2	437.0	434.2
Basic earnings (loss) per share from continuing operations	\$ 1.72	\$ 2.95	\$ 1.61
Diluted earnings (loss) per share from continuing operations	\$ 1.70	\$ 2.92	\$ 1.59

(a) Securities are not included in the table in periods when antidilutive.

(b) Options to purchase 9.1 million, 15.6 million and 18.2 million shares for the years ended December 31, 2012, 2011 and 2010, respectively, were not included in the computation of diluted common shares outstanding because their exercise price exceeded the average market price of the Company's common stock for each respective reporting date.

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NOTE 4 RESTRUCTURING CHARGES AND OTHER ITEMS

RESTRUCTURING AND OTHER CHARGES

2012: During 2012, total restructuring and other charges of \$109 million before taxes (\$74 million after taxes) were recorded. These charges included:

<i>In millions</i>	Before-Tax Charges	After-Tax Charges
Early debt extinguishment costs (see Notes 12 and 13)	\$ 48	\$ 30

Included in the \$102 million of organizational restructuring and other charges is \$25 million of severance charges.

The following table presents a rollforward of the severance and other costs for approximately 629 employees included in the 2011 restructuring charges:

<i>In millions</i>	Severance and Other
Opening balance (recorded first quarter 2011)	\$ 7
Additions and adjustments	18

xpedx restructuring (a)	44	28
EMEA packaging restructuring (b)	17	12
Other	—	4
Total	\$ 109	\$ 74

(a) Includes pre-tax charges of \$14 million for severance.

(b) Includes pre-tax charges of \$17 million for severance.

Included in the \$109 million of organizational restructuring and other charges is \$31 million of severance charges.

The following table presents a rollforward of the severance and other costs for approximately 811 employees included in the 2012 restructuring charges:

<i>In millions</i>	Severance and Other
Opening balance (recorded first quarter 2012)	\$ 7
Additions and adjustments	24
Cash charges in 2012	(15)
Balance, December 31, 2012	\$ 16

As of December 31, 2012, 432 employees had left the Company under these programs.

2011: During 2011, total restructuring and other charges of \$102 million before taxes (\$66 million after taxes) were recorded. These charges included:

<i>In millions</i>	Before-Tax Charges	After-Tax Charges
xpedx restructuring (a)	\$ 49	\$ 34
Early debt extinguishment costs (see Notes 12 and 13)	32	19
Temple-Inland merger agreement	20	12
APPM acquisition	18	12
Franklin, Virginia mill – closure costs (b)	(24)	(15)
Other	7	4
Total	\$ 102	\$ 66

(a) Includes pre-tax charges of \$19 million for severance.

(b) Includes a pre-tax credit of \$21 million related to the reversal of an environmental reserve.

Cash charges in 2011	(16)
Cash charges in 2012	(8)
Balance, December 31, 2012	\$ 1

As of December 31, 2012, 622 employees had left the Company under these programs.

2010: During 2010, total restructuring and other charges of \$394 million before taxes (\$242 million after taxes) were recorded. These charges included:

<i>In millions</i>	Before-Tax Charges	After-Tax Charges
Franklin, Virginia mill – closure costs (a)	\$ 315	\$ 192
Early debt extinguishment costs (see Notes 12 and 13)	35	21
Write-off of Ohio Commercial Activity tax receivable	11	7
Shorewood Packaging reorganization	8	5
Bellevue, Washington container facility – closure costs	7	4
S&A reduction initiative	6	4
Other	12	9
Total	\$ 394	\$ 242

(a) Includes pre-tax charges of \$236 million for accelerated depreciation, \$36 million for environmental closure costs and \$30 million for severance.

Included in the \$394 million of organizational restructuring and other charges is \$46 million of severance charges.

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The following table presents a rollforward of the severance and other costs for approximately 1,650 employees included in the 2010 restructuring charges:

<i>In millions</i>	Severance and Other
Opening balance (recorded first quarter 2010)	\$ 20
Additions and adjustments	26
Cash charges in 2010	(32)
Cash charges in 2011	(8)
Cash charges in 2012	(4)

the Company will re-evaluate its position with regard to alternative fuel mixture gallons produced in 2009.

During 2009, the Company produced 64 million gallons of black liquor that were not eligible for the alternative fuel mixture credit. The Company claimed these gallons for the cellulosic bio-fuel credit by amending the Company's 2009 tax return. The impact of this amendment was included in the Company's 2010 fourth quarter Income tax provision (benefit), resulting in a \$40 million net credit to tax expense. Temple-Inland, Inc. also recognized an income tax benefit of \$83 million in 2010 related to cellulosic bio-fuel credits.

As is the case with other tax credits, taxpayer claims are subject to possible future review by the IRS which has the authority to propose adjustments to the amounts claimed, or credits received.

Balance, December 31, 2012

\$

2

As of December 31, 2012, 1,638 employees had left the Company under these programs.

CELLULOSIC BIO-FUEL TAX CREDIT

In a memorandum dated June 28, 2010, the IRS concluded that black liquor would qualify for the cellulosic bio-fuel tax credit of \$1.01 per gallon produced in 2009. On October 15, 2010, the IRS ruled that companies may qualify in the same year for the \$0.50 per gallon alternative fuel mixture credit and the \$1.01 cellulosic bio-fuel tax credit for 2009, but not for the same gallons of fuel produced and consumed. To the extent a taxpayer changes its position and uses the \$1.01 credit, it must re-pay the refunds they received as alternative fuel mixture credits attributable to the gallons converted to the cellulosic bio-fuel credit. The repayment of this refund must include interest.

One important difference between the two credits is that the \$1.01 credit must be credited against a company's Federal tax liability, and the credit may be carried forward through 2015. In contrast, the \$0.50 credit is refundable in cash. Also, the cellulosic bio-fuel credit is required to be included in Federal taxable income.

The Company filed an application with the IRS on November 18, 2010, to receive the required registration code to become a registered cellulosic bio-fuel producer. The Company received its registration code on February 28, 2011.

The Company has evaluated the optimal use of the two credits with respect to gallons produced in 2009. Considerations include uncertainty around future Federal taxable income, the taxability of the alternative fuel mixture credit, future liquidity and uses of cash such as, but not limited to, acquisitions, debt repayments and voluntary pension contributions versus repayment of alternative fuel mixture credits with interest. At the present time, the Company does not intend to convert any gallons under the alternative fuel mixture credit to gallons under the cellulosic bio-fuel credit. On July 19, 2011 the Company filed an amended 2009 tax return claiming alternative fuel mixture tax credits as non-taxable income. If that amended position is not upheld,

NOTE 5 ACQUISITIONS AND JOINT VENTURES

ACQUISITIONS

2013: On January 3, 2013, International Paper completed the acquisition (effective date of acquisition on January 1, 2013) of the shares of its joint venture partner, Sabanci Holding, in the Turkish corrugated packaging company, Olmuksa International Paper Sabanci Ambalaj Sanayi ve Ticaret A.S. (Olmuksa), for a purchase price of \$56 million. The acquired shares represent 43.7% of Olmuksa's shares, and prior to this acquisition, International Paper already held a 43.7% equity interest in Olmuksa. Thus, International Paper now owns 87.4% of Olmuksa's outstanding and issued shares. The Company has not completed the valuation of assets acquired and liabilities assumed; however, the Company anticipates providing a preliminary purchase price allocation in its 2013 first quarter Form 10-Q filing.

Because the transaction resulted in International Paper becoming the majority shareholder, owning 87.4% of Olmuksa's shares, its completion triggered a mandatory call for tender of the remaining public shares. Also as a result of International Paper taking majority control of the entity, Olmuksa's financial results will be consolidated with our Industrial Packaging segment beginning with the effective date International Paper obtained majority control of the entity on January 1, 2013.

Pro forma information related to the acquisition of Olmuksa has not been included as it does not have a material effect on the Company's consolidated results of operations.

2012: On February 13, 2012, International Paper completed the acquisition of Temple-Inland, Inc. (Temple-Inland). International Paper acquired all of the outstanding common stock of Temple-Inland for \$32.00 per share in cash, totaling approximately \$3.7 billion,

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and assumed approximately \$700 million of Temple-Inland's debt. As a condition to allowing the transaction to proceed, the Company entered into an agreement on a Final Judgment with the Antitrust Division of the U.S. Department of Justice (DOJ) that required the Company to divest three containerboard mills, with approximately 970,000 tons of aggregate containerboard capacity. On July 2, 2012, International Paper sold its Ontario and Oxnard (Hueneme), California containerboard mills to New-Indy Containerboard LLC, and its New Johnsonville, Tennessee containerboard mill to Hood Container Corporation. By completing these transactions, the Company satisfied its divestiture obligations under the Final Judgment. See Note 6 for further details of these divestitures, as well as the planned divestiture of Temple-Inland's Building Products business.

Temple-Inland's results of operations are included in the consolidated financial statements from the date of acquisition on February 13, 2012.

The following table summarizes the allocation of the purchase price to the fair value of assets and liabilities acquired as of February 13, 2012.

The identifiable intangible assets acquired in connection with the Temple-Inland acquisition included the following:

<i>In millions</i>	Estimated Fair Value	Average Remaining Useful Life (at acquisition date)
Asset Class:		
Customer relationships	\$ 536	12-17 years
Developed technology	8	5-10 years
Tradenames	109	Indefinite
Favorable contracts	14	4-7 years
Non-compete agreement	26	2 years
Total	\$ 693	

In connection with the purchase price allocation, inventories were written up by approximately \$20 million before taxes (\$12 million after taxes) to their estimated fair value. As the related inventories were sold in the 2012 first quarter, this amount was expensed in Cost of products sold for the quarter.

In millions

Accounts and notes receivable	\$ 466
Inventory	484
Deferred income tax assets – current	140
Other current assets	57
Plants, properties and equipment	2,911
Financial assets of special purpose entities	2,091
Goodwill	2,139
Other intangible assets	693
Deferred charges and other assets	54
Total assets acquired	9,035
Notes payable and current maturities of long-term debt	130
Accounts payable and accrued liabilities	704
Long-term debt	527
Nonrecourse financial liabilities of special purpose entities	2,030
Deferred income tax liability	1,252
Pension benefit obligation	338
Postretirement and postemployment benefit obligation	99
Other liabilities	221
Total liabilities assumed	5,301
Net assets acquired	\$ 3,734

The purchase price allocation was finalized in the fourth quarter of 2012.

Additionally, Selling and administrative expenses for the year ended December 31, 2012 included \$164 million before taxes (\$105 million after taxes) in charges for integration costs associated with the acquisition.

The following unaudited pro forma information for the years ended December 31, 2012 and 2011 represents the results of operations of International Paper as if the Temple-Inland acquisition had occurred on January 1, 2011. This information is based on historical results of operations, adjusted for certain acquisition accounting adjustments and does not purport to represent International Paper's actual results of operations as if the transaction described above would have occurred as of January 1, 2011, nor is it necessarily indicative of future results.

<i>In millions, except per share amounts</i>	2012	2011
Net sales	\$ 28,125	\$ 29,946
Earnings (loss) from continuing operations (a)	805	1,185
Net earnings (loss) (a)	845	1,220
Diluted earnings (loss) from continuing operations per share (a)	1.82	2.68
Diluted net earnings (loss) per share (a)	1.92	2.79

(a) Attributable to International Paper Company common shareholders.

2011: On October 14, 2011, International Paper completed the acquisition of a 75% stake in Andhra Pradesh Paper Mills Limited (APPM). The Company purchased 53.5% of APPM for a purchase price of \$226 million in cash plus assumed debt from private investors. These sellers also entered into a covenant not to compete for which they received a cash payment

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of \$58 million. Additionally, the Company purchased a 21.5% stake of APPM in a public tender offer completed on October 8, 2011 for \$105 million in cash. International Paper recognized an unfavorable currency transaction loss of \$9 million due to strengthening of the dollar against the Indian Rupee prior to the closing date, resulting from cash balances deposited in Indian Rupee denominated escrow accounts.

In November 2011, International Paper appealed a directive from the Securities and Exchange Board of India (SEBI) that would require us to pay to the tendering shareholders the equivalent per share value of the non-compete payment that was paid to the previous controlling shareholders. The Company has deposited approximately \$25 million into an escrow account to fund the additional non-compete payments in the event SEBI's direction is upheld. By an order dated September 12, 2012, the Indian Securities Appellate Tribunal (SAT) upheld the SEBI directive. As a result of this initial unfavorable ruling, International Paper included the \$25 million escrowed cash amount in the final purchase price consideration of APPM. On October 8, 2012, International Paper appealed the SAT's decision to the Indian Supreme Court.

APPM's results of operations are included in the consolidated financial statements from the date of acquisition on October 14, 2011.

The following table summarizes the final allocation of the purchase price to the fair value of assets and liabilities acquired as of October 14, 2011.

In millions

The identifiable intangible assets acquired in connection with the APPM acquisition included the following:

<i>In millions</i>	Estimated Fair Value	Average Remaining Useful Life
Asset Class:		(at acquisition date)
Non-compete agreement	\$ 58	6 years
Tradenames	20	Indefinite
Fuel supply agreements	5	2 years
Power purchase arrangements	5	5 years
Wholesale distribution network	3	18 years
Total	\$ 91	

Pro forma information related to the acquisition of APPM has not been included as it does not have a material effect on the Company's consolidated results of operations.

2010: On June 30, 2010, International Paper completed the acquisition of SCA Packaging Asia (SCA) for a purchase price of \$202 million, including \$168 million in cash plus assumed debt of \$34 million. The SCA packaging business in Asia consists of 13 corrugated box plants and two specialty packaging facilities, which are primarily in China, along with locations in Singapore, Malaysia and Indonesia. SCA's results of operations are included in the consolidated financial statements from the date of acquisition on June 30, 2010.

Cash and temporary investments	\$	3
Accounts and notes receivable		7
Inventory		43
Other current assets		13
Plants, properties and equipment		352
Goodwill		138
Deferred income tax asset		4
Other intangible assets		91
Other long-term assets		1
Total assets acquired		652
Accounts payable and accrued liabilities		67
Long-term debt		47
Other liabilities		11
Deferred income tax liability		90
Total liabilities assumed		215
Noncontrolling interest		37
Net assets acquired	\$	400

The following table summarizes the final allocation of the purchase price to the fair value of assets and liabilities acquired as of June 30, 2010.

<i>In millions</i>	
Cash and temporary investments	\$ 19
Accounts and notes receivable	70
Inventory	24
Other current assets	2
Plants, properties and equipment	103
Goodwill	30
Other intangible assets	38
Total assets acquired	286
Accounts payable and accrued liabilities	66
Deferred income tax liability	7
Other liabilities	3
Total liabilities assumed	76
Noncontrolling interest	8
Net assets acquired	\$ 202

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The identifiable intangible assets acquired in connection with the SCA acquisition included the following:

<i>In millions</i>	Estimated Fair Value	Average Remaining Useful Life
Asset Class:		(at acquisition date)
Land-use rights	\$ 29	39 years
Customer relationships	9	16 years
Total	\$ 38	

Pro forma information related to the acquisition of SCA has not been included as it does not have a material effect on the Company's consolidated results of operations.

JOINT VENTURES

2013: On January 14, 2013, International Paper and Brazilian corrugated packaging producer, Jari Celulose Embalagens e Papel S.A (Jari), a Grupo Orsa company, formed Orsa International Paper Embalagens S.A. (ORSA IP). The new entity, in which International Paper holds a 75% stake, includes three containerboard mills and four box plants, which make up Jari's former industrial packaging assets. This acquisition supports the Company's strategy of growing its global packaging presence and better serving its global customer base.

The value of International Paper's investment in ORSA IP is approximately \$470 million. The Company has not completed the valuation of assets acquired and liabilities assumed; however, the Company anticipates providing a preliminary purchase price allocation in its 2013 first quarter Form 10-Q filing. Pro forma information related to our investment in the joint venture is not included as it does not have a material effect on the Company's consolidated results of operations. Because International Paper acquired majority control of the joint venture, ORSA IP's financial results will be consolidated with our Industrial Packaging segment

a new production line to manufacture coated paperboard for food packaging with a designed annual production capacity of 500,000 tons. The financial position and results of operations of this joint venture have been included in International Paper's consolidated financial statements from the date of formation in December 2011.

Additionally, during 2011 the Company recorded a gain of \$7 million (before and after taxes) related to a bargain purchase price adjustment on an acquisition by our joint venture in Turkey. This gain is included in Equity earnings (losses), net of taxes in the accompanying consolidated statement of operations.

NOTE 6 BUSINESSES HELD FOR SALE, DIVESTITURES AND IMPAIRMENTS

DISCONTINUED OPERATIONS

2012: Upon the acquisition of Temple-Inland, management committed to a plan to sell the Temple-Inland Building Products business, and on December 12, 2012, International Paper reached an agreement to sell the business (including Del-Tin Fiber L.L.C. (Del-Tin)) to Georgia-Pacific for \$750 million in cash, subject to satisfaction of customary closing conditions, including satisfactory review by the DOJ, and to certain pre-and post-closing purchase price adjustments. The assets to be sold include 16 manufacturing facilities. Subsequently, on February 13, 2013, the Company entered into an agreement to sell Temple-Inland's 50% interest in Del-Tin to joint venture partner Deltic Timber Corporation (Deltic) for \$20 million in assumed liabilities and cash. Accordingly, the Del-Tin assets will be excluded from the sale to Georgia-Pacific and the purchase price under our sale agreement with Georgia-Pacific will be adjusted to \$710 million. The operating results of the Temple-Inland Building Products business have been included in Discontinued operations from the date of acquisition. The assets of this business, totaling \$759 million at December 31, 2012, are included in Assets of businesses held for sale in current assets in the accompanying consolidated balance sheet at December 31, 2012. Included in this amount are \$26 million and \$153 million related to goodwill and intangibles, respectively. The

from the date of formation on January 14, 2013.

Pro forma information related to the acquisition of ORSA IP has not been included as it does not have a material effect on the Company's consolidated results of operations.

2011: On April 15, 2011, International Paper and Sun Paper Industry Co. Ltd. entered into a Cooperative Joint Venture agreement to establish Shandong IP & Sun Food Packaging Co., Ltd. in China. During December 2011, the business license was obtained and International Paper contributed \$55 million in cash for a 55% interest in the joint venture and Sun Paper Industry Co. Ltd. contributed land-use rights valued at approximately \$28 million, representing a 45% interest. The purpose of the joint venture is to build and operate

liabilities of this business, totaling \$44 million at December 31, 2012, are included in Liabilities of businesses held for sale in the accompanying consolidated balance sheet at December 31, 2012.

2011: The sale of the Company's Kraft Papers business that closed in January 2007 contained an earnout provision that could have required KapStone to make an additional payment to International Paper in 2012. Based on the results through the first four years of the earnout period, KapStone concluded that the threshold would be attained and the full earnout payment would

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be due to International Paper in 2012. On January 3, 2011, International Paper signed an agreement with KapStone to allow KapStone to pay the Company on January 4, 2011, the discounted amount of \$50 million before taxes (\$30 million after taxes) that otherwise would have been owed in full under the agreement in 2012. This amount has been included in Discontinued operations, net of taxes in the accompanying consolidated statement of operations.

In the third quarter of 2006, the Company completed the sale of its Brazilian Coated Papers business and restated its financial statements to reflect this business as a discontinued operation. Included in the results for this business in 2005 and 2006 were local country tax contingency reserves for which the related statute of limitations has now expired. A \$15 million tax benefit for the reversal of these reserves plus associated interest income of \$6 million before taxes (\$4 million after taxes) was recorded in March 2011, and is included in Discontinued operations, net of taxes in the accompanying consolidated statement of operations.

OTHER DIVESTITURES AND IMPAIRMENTS

2012: As referenced in Note 5, on July 2, 2012, International Paper finalized the sales of its Ontario and Oxnard (Hueneme), California containerboard mills to New-Indy Containerboard LLC, and its New Johnsonville, Tennessee containerboard mill to Hood Container Corporation. During 2012, the Company recorded pre-tax charges of \$29 million (\$55 million after taxes) for costs associated with the divestitures of these mills. Also during 2012, in anticipation of the divestiture of the Hueneme mill, a pre-tax charge of \$62 million (\$38 million after taxes) was recorded to adjust the long-lived assets of the mill to their fair value.

The net 2012 loss totaling \$86 million related to other divestitures and impairments is included in Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations.

2011: On August 22, 2011, International Paper announced that it had signed an agreement to sell its Shorewood business to Atlas Holdings. As a result, during 2011, net pre-tax charges of \$207 million (after a \$246 million tax benefit and a gain of \$8 million related to a noncontrolling interest, a net gain of \$47 million) were recorded to reduce the carrying value of the Shorewood business to fair market value. As part of the transaction, International Paper retained a minority interest of approximately 40% in the newly combined AGI-Shorewood business outside the U.S. Since the interest retained represents significant continuing involvement in the operations of the business, the operating results of the Shorewood business were included in continuing operations in the accompanying consolidated statement of operations instead of

of the Shorewood business to Atlas Holdings closed on December 31, 2011. The sale of the remainder of the Shorewood business occurred during January 2012. The assets of the remainder of the Shorewood business, totaling \$196 million at December 31, 2011, are included in Assets of businesses held for sale in current assets in the accompanying consolidated balance sheet. The liabilities of the remainder of the Shorewood business totaling \$43 million at December 31, 2011 are included in Liabilities of businesses held for sale in current liabilities in the accompanying consolidated balance sheet. Additionally, approximately \$33 million of currency translation adjustment was reflected in OCI related to the remainder of the Shorewood business at December 31, 2011.

Also during 2011, the Company recorded charges totaling \$11 million (before and after taxes) to further write down the long-lived assets of its Inverurie, Scotland mill to their estimated fair value.

The net 2011 loss totaling \$218 million related to other divestitures and impairments is included in Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations.

2010: During 2010, the Company recorded a pre-tax gain of \$25 million (\$15 million after taxes) as a result of the partial redemption of the 10% interest the Company retained in its Arizona Chemical business after the sale of the business in 2006. The Company received \$37 million in cash from the redemption of this interest.

The net 2010 gain totaling \$23 million related to other divestitures and impairments is included in Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations.

NOTE 7 SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION

TEMPORARY INVESTMENTS

<i>In millions at December 31</i>	2012	2011
Temporary Investments	\$ 934	\$ 2,904

ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable, net of allowances, by classification were:

<i>In millions at December 31</i>	2012	2011
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Discontinued operations. The sale of the U.S. portion

Accounts and notes receivable:

Trade	\$	3,316	\$	3,039
Other		246		447
Total	\$	3,562	\$	3,486

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INVENTORIES

In millions at December 31	2012	2011
Raw materials	\$ 360	\$ 368
Finished pulp, paper and packaging products	1,728	1,503
Operating supplies	588	390
Other	54	59
Inventories	\$ 2,730	\$ 2,320

The last-in, first-out inventory method is used to value most of International Paper's U.S. inventories. Approximately 64% of total raw materials and finished products inventories were valued using this method. If the first-in, first-out method had been used, it would have increased total inventory balances by approximately \$381 million and \$350 million at December 31, 2012 and 2011, respectively.

PLANTS, PROPERTIES AND EQUIPMENT

In millions at December 31	2012	2011
Pulp, paper and packaging facilities		
Mills	\$ 23,625	\$ 22,494
Packaging plants	7,184	6,358
Other plants, properties and equipment	2,074	1,556
Gross cost	32,883	30,408
Less: Accumulated depreciation	18,934	18,591
Plants, properties and equipment, net	\$ 13,949	\$ 11,817

In millions	2012	2011	2010
Depreciation expense	\$ 1,399	\$ 1,263	\$ 1,396

INTEREST

Cash payments related to interest were as follows:

In millions	2012	2011	2010
Interest payments	\$ 740	\$ 629	\$ 657

Amounts related to interest were as follows:

In millions	2012	2011	2010
Interest expense (a)	\$ 743	\$ 596	\$ 643
Interest income (a)	71	55	35
Capitalized interest costs	37	22	14

(a) Interest expense and interest income exclude approximately \$49 million, \$49 million and \$44 million in 2012, 2011 and 2010, respectively, related to investments in and borrowings from variable interest entities for which the Company has a legal right of offset (see Note 11).

SALE OF FORESTLANDS

On September 23, 2010, the Company finalized the sale of

\$50 million pre-tax gain (\$31 million after taxes), after expenses. Cash of \$160 million was received at closing, with the balance of \$39 million, plus interest, to be received no later than three years from closing. In addition, the Company has retained a 20% profit interest in the Partnership. The gain on this sale is included in Cost of products sold in the accompanying consolidated statement of operations.

NOTE 8 GOODWILL AND OTHER INTANGIBLES

GOODWILL

The following tables present changes in the goodwill balances as allocated to each business segment for the years ended December 31, 2012 and 2011:

In millions	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Balance as of January 1, 2012					
Goodwill	\$ 1,157	\$ 2,439	\$ 1,779	\$ 400	\$ 5,775
Accumulated impairment losses (a)	—	(1,765)	(1,664)	—	(3,429)
	1,157	674	115	400	2,346
Reclassifications and other (b)	1	(40)	1	—	(38)
Additions/reductions	2,007 (c)	(3) (d)	3 (e)	—	2,007
Balance as of December 31, 2012					
Goodwill	3,165	2,396	1,783	400	7,744
Accumulated impairment losses (a)	—	(1,765)	(1,664)	—	(3,429)
Total	\$ 3,165	\$ 631	\$ 119	\$ 400	\$ 4,315

- (a) Represents accumulated goodwill impairment charges since the adoption of ASC 350, "Intangibles – Goodwill and Other" in 2002.
- (b) Represents the effects of foreign currency translations and reclassifications.
- (c) Reflects the acquisition of Temple-Inland, net of amounts written off related to the divestiture of two Temple-Inland mills (Ontario, California and New Johnsonville, Tennessee) and one International Paper mill (Oxnard (Hueneme), California). Also excludes the goodwill for Building Products which was reclassified to Businesses Held for Sale.
- (d) Reflects an increase related to a purchase price adjustment for Andhra Pradesh Paper Mills in India partially offset by a reduction from tax benefits generated by the deduction of goodwill amortization for tax purposes in Brazil.
- (e) Represents the impact of the change in estimate of the contributed land in the Shandong IP & Sun Food Packaging Co., Ltd. joint venture in China entered into in 2011.

In millions	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Balance as of January 1, 2011					
Goodwill	\$ 1,151	\$ 2,418	\$ 1,768	\$ 400	\$ 5,737
Accumulated impairment losses (a)	—	(1,765)	(1,664)	—	(3,429)
	1,151	653	104	400	2,308
Reclassifications and other (b)	(1)	(67)	5	—	(63)
Additions/reductions	7 (c)	88 (d)	6 (e)	—	101
Balance as of December 31, 2011					
Goodwill	1,157	2,439	1,779	400	5,775
Accumulated impairment losses (a)	—	(1,765)	(1,664)	—	(3,429)
Total					

163,000 acres of properties located in the southeastern United States to an affiliate of Rock Creek Capital (the Partnership) for \$199 million, resulting in a

\$ 1,157 \$ 674 \$ 115 \$ 400 \$ 2,348

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- (a) Represents accumulated goodwill impairment charges since the adoption of ASC 350, "Intangibles – Goodwill and Other" in 2002.
- (b) Represents the effects of foreign currency translations and reclassifications.
- (c) Represents purchase price adjustments related to the finalization of the SCA Packaging Asia acquisition.
- (d) Reflects an increase related to the acquisition of Andhra Pradesh Paper Mills in India partially offset by a reduction from tax benefits generated by the deduction of goodwill amortization for tax purposes in Brazil.
- (e) Represents the joint venture between IP Asia and Sun Paper Industry Co., Ltd.

No goodwill impairment charges were recorded in 2012, 2011 or 2010.

OTHER INTANGIBLES

Identifiable intangible assets comprised the following:

	2012		2011	
<i>In millions at December 31</i>	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships and lists	\$ 644	\$ 112	\$ 227	\$ 82
Non-compete agreements	83	30	72	19
Tradenames, patents and trademarks	144	16	51	21
Land and water rights	87	6	60	3
Fuel and power agreements	17	12	30	16
Software	22	19	37	29
Other	83	19	27	13
Total (a)	\$ 1,080	\$ 214	\$ 504	\$ 183

- (a) The increase in 2012 is primarily due to the acquisition of Temple-Inland.

The Company recognized the following amounts as amortization expense related to intangible assets:

<i>In millions</i>	2012	2011	2010
Amortization expense related to intangible assets	\$ 58	\$ 32	\$ 31

Based on current intangibles subject to amortization, estimated amortization expense for each of the succeeding years is as follows: 2013 – \$37 million, 2014 – \$36 million, 2015 – \$29 million, 2016 – \$29 million, 2017 – \$28 million, and cumulatively thereafter – \$706 million.

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A reconciliation of income tax expense using the statutory U.S. income tax rate compared with the actual income tax provision follows:

<i>In millions</i>	2012	2011	2010
Earnings (loss) from continuing operations before income taxes and equity earnings	\$ 1,024	\$ 1,458	\$ 822

NOTE 9 INCOME TAXES

The components of International Paper's earnings from continuing operations before income taxes and equity earnings by taxing jurisdiction were as follows:

<i>In millions</i>	2012	2011	2010
Earnings (loss)			
U.S.	\$ 478	\$ 874	\$ 198
Non-U.S.	546	584	624
Earnings (loss) from continuing operations before income taxes and equity earnings	\$ 1,024	\$ 1,458	\$ 822

The provision (benefit) for income taxes (excluding noncontrolling interests) by taxing jurisdiction was as follows:

<i>In millions</i>	2012	2011	2010
Current tax provision (benefit)			
U.S. federal	\$ 14	\$ (78)	\$ (249)
U.S. state and local	11	(19)	(19)
Non-U.S.	102	91	67
	\$ 127	\$ (6)	\$ (201)
Deferred tax provision (benefit)			
U.S. federal	\$ 226	\$ 207	\$ 301
U.S. state and local	6	46	45
Non-U.S.	(28)	64	76
	\$ 204	\$ 317	\$ 422
Income tax provision	\$ 331	\$ 311	\$ 221

The Company's deferred income tax provision (benefit) includes a \$25 million provision, an \$8 million benefit and a \$0 million provision for 2012, 2011 and 2010, respectively, for the effect of changes in non-U.S. and U.S. state tax rates.

International Paper made income tax payments, net of refunds, of \$95 million, \$44 million and \$(135) million in 2012, 2011 and 2010, respectively.

Deferred income tax assets and liabilities are recorded in the accompanying consolidated balance sheet under the captions Deferred income tax assets, Deferred charges and other assets, Other accrued liabilities, and Deferred income taxes. The acquisition of Temple-Inland in 2012 resulted in additional deferred tax assets of \$600 million and deferred income tax liabilities of \$1.8 billion. In addition, there is an increase in deferred income tax assets principally relating to the tax impact of

Statutory U.S. income tax rate	35%	35%	35%
Tax expense (benefit) using statutory U.S. income tax rate	358	510	288
State and local income taxes	11	16	15
Tax rate and permanent differences on non-U.S. earnings	(116)	(34)	(69)
Net U.S. tax on non-U.S. dividends	48	23	16
Tax benefit on manufacturing activities	(15)	(8)	3
Non-deductible business expenses	7	6	8
Non-deductible goodwill	34	—	—
Sales of non-strategic businesses	—	(195)	—
Retirement plan dividends	(5)	(5)	(2)
Cellulosic bio-fuel credits	—	—	(40)
Tax credits	—	(7)	(25)
Medicare subsidy	5	—	29
Other, net	4	5	(2)
Income tax provision	\$ 331	\$ 311	\$ 221
Effective income tax rate	32%	21%	27%

The tax effects of significant temporary differences, representing deferred income tax assets and liabilities at December 31, 2012 and 2011, were as follows:

<i>In millions</i>	2012	2011
Deferred income tax assets:		
Postretirement benefit accruals	\$ 229	\$ 242
Pension obligations	1,620	954
Alternative minimum and other tax credits	741	478
Net operating loss carryforwards	579	536
Compensation reserves	242	189
Other	302	232
Gross deferred income tax assets	3,713	2,631
Less: valuation allowance	(400)	(424)
Net deferred income tax asset	\$ 3,313	\$ 2,207
Deferred income tax liabilities:		
Intangibles	\$ (263)	\$ (59)
Plants, properties and equipment	(3,126)	(2,383)
Forestlands and related installment sales	(2,511)	(1,833)
Gross deferred income tax liabilities	\$ (5,900)	\$ (4,275)
Net deferred income tax liability	\$ (2,587)	\$ (2,068)

changes in qualified pension liabilities. Certain tax attributes reflected on our tax returns as filed differ significantly from those reflected in the deferred income tax accounts due to uncertain tax benefits.

The valuation allowance for deferred income tax assets as of December 31, 2012 was \$400 million. The net change in the total valuation allowance for the year ended December 31, 2012 was a decrease of \$24 million. The decrease is primarily attributable to the release of a valuation allowance previously imposed on state income tax attributes which the Company now foresees utilizing.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2012, 2011 and 2010 is as follows:

<i>In millions</i>	2012	2011	2010
Balance at January 1	\$ (857)	\$ (199)	\$ (308)
(Additions) reductions based on tax positions related to current year	12	(2)	(12)
Additions for tax positions of prior years	(140)	(719)	(50)
Reductions for tax positions of prior years	6	29	97
Settlements	2	2	—
Expiration of statutes of limitations	7	25	70
Currency translation adjustment	(2)	7	4
Balance at December 31	\$ (972)	\$ (857)	\$ (199)

Included in the balance at December 31, 2012, 2011 and 2010 are \$14 million, \$9 million and \$13 million, respectively, for tax positions for which the ultimate benefits are highly certain, but for which there is uncertainty about the timing of such benefits. However, except for the possible effect of any penalties, any disallowance that would change the timing of these benefits would not affect the annual effective tax rate, but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company accrues interest on unrecognized tax benefits as a component of interest expense. Penalties, if incurred, are recognized as a component of income tax expense. The Company had approximately \$104 million and \$88 million accrued for the payment of estimated interest and penalties associated with

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unrecognized tax benefits at December 31, 2012 and 2011, respectively.

The major jurisdictions where the Company files income tax returns are the United States, Brazil, France, Poland and Russia. Generally, tax years 2002 through 2011 remain open and subject to examination by the relevant tax authorities. The Company is typically engaged in various tax examinations at any given time, both in the United States and overseas. Currently, the Company is engaged in discussions with the U.S. Internal Revenue Service regarding the examination of tax years 2006 through 2009. As a result of these discussions, other pending tax audit settlements,

The following details the scheduled expiration dates of the Company's net operating loss and income tax credit carryforwards:

<i>In millions</i>	2013 Through 2022	2023 Through 2032	Indefinite	Total
U.S. federal and non-U.S. NOLs	\$ 19	\$ 151	\$ 359	\$ 529
State taxing jurisdiction NOLs	167	133	—	300

and the expiration of statutes of limitation, the Company currently estimates that the amount of unrecognized tax benefits could be reduced by up to \$860 million during the next twelve months. During 2012, unrecognized tax benefits increased by \$115 million primarily driven by the acquisition of Temple-Inland. While the Company believes that it is adequately accrued for possible audit adjustments, the final resolution of these examinations cannot be determined at this time and could result in final settlements that differ from current estimates.

Included in the Company's 2012, 2011 and 2010 income tax provision (benefit) are \$(85) million, \$(266) million and \$(143) million, respectively, related to special items. The components of the net provisions related to special items were as follows:

<i>In millions</i>	2012	2011	2010
Special items and other charges:			
Restructuring and other charges	\$ (104)	\$ (293)	\$ (149)
Tax-related adjustments:			
Internal restructurings	14	24	—
India deal costs	—	9	—
IP UK valuation allowance release	—	(13)	—
Settlement of tax audits and legislative changes	—	5	—
Incentive plan deferred income tax write-off	—	—	14
Medicare D deferred income tax write-off	5	—	32
Cellulosic bio-fuel credits	—	—	(40)
Other tax adjustments	—	2	—
Income tax provision (benefit) related to special items	\$ (85)	\$ (266)	\$ (143)

Excluding the impact of special items, the 2012, 2011 and 2010 income tax provisions were \$410 million, \$577 million and \$364 million, respectively, or 29%, 32% and 30%, respectively, of pre-tax earnings before equity earnings.

U.S. federal, non-U.S. and state tax credit carryforwards	188	74	669	931
State capital loss carryforwards	24	—	—	24
Total	\$ 398	\$ 358	\$ 1,028	\$ 1,784

Deferred income taxes are not provided for temporary differences of approximately \$4.7 billion, \$4.5 billion and \$4.3 billion as of December 31, 2012, 2011 and 2010, respectively, representing earnings of non-U.S. subsidiaries intended to be permanently reinvested. Computation of the potential deferred tax liability associated with these undistributed earnings and other basis differences is not practicable.

The American Taxpayer Relief Act of 2012 (the "Act") was signed into law on January 2, 2013. The Act retroactively restored several expired business tax provisions, including the research and experimentation credit and the Subpart F controlled foreign corporation look-through exception. Because a change in tax law is accounted for in the period of enactment, the retroactive effect of the Act on the Company's U.S. federal taxes for 2012 of a benefit of approximately \$32 million will be recognized in the first quarter of 2013. In addition, we expect the Act's extension of these provisions through the end of 2013 will favorably impact our estimated annual effective tax rate for 2013 by approximately one percentage point.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

PURCHASE COMMITMENTS AND OPERATING LEASES

Certain property, machinery and equipment are leased under cancelable and non-cancelable agreements.

Unconditional purchase obligations have been entered into in the ordinary course of business, principally for capital projects and the purchase of certain pulpwood, logs, wood chips, raw materials, energy and services, including fiber supply agreements to purchase pulpwood that were entered into concurrently with the Company's 2006 Transformation Plan forestland sales and in conjunction with the 2008 acquisition of Weyerhaeuser Company's Containerboard, Packaging and Recycling business.

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At December 31, 2012, total future minimum commitments under existing non-cancelable operating leases and purchase obligations were as follows:

<i>In millions</i>	2013	2014	2015	2016	2017	Thereafter
Lease obligations	\$ 198	\$ 136	\$ 106	\$ 70	\$ 50	141
Purchase obligations						
(a)	3,213	828	722	620	808	2,654
Total	\$ 3,411	\$ 964	\$ 828	\$ 690	\$ 858	2,795

(a) Includes \$3.6 billion relating to fiber supply agreements entered into at the time of the Company's 2006 Transformation Plan forestland sales and in conjunction with the 2008 acquisition of Weyerhaeuser Company's Containerboard, Packaging and Recycling business.

Rent expense was \$231 million, \$205 million and \$210 million for 2012, 2011 and 2010, respectively.

GUARANTEES

of \$46 million. The overall remediation reserve for the site is currently \$48 million to address this selection of an alternative for the soil remediation component of the overall site remedy. In October 2011, the EPA released a public statement indicating that the final soil remedy decision would be delayed. In the unlikely event that the EPA changes its proposed soil remedy and approves instead a more expensive clean-up alternative, the remediation costs could be material, and significantly higher than amounts currently recorded. In October 2012, the Natural Resource Trustees for this site provided notice to International Paper and other potentially responsible parties of their intent to perform a Natural Resource Damage Assessment. It is premature to predict the outcome of the assessment or to estimate a loss or range of loss, if any, which may be incurred.

In addition to the above matters, other remediation costs typically associated with the cleanup of hazardous substances at the Company's current, closed or formerly-owned facilities, and recorded as liabilities in the balance sheet, totaled approximately \$46 million at December 31, 2012. Other than as described above, completion of required remedial actions is not expected to have a material effect on our consolidated financial statements.

In connection with sales of businesses, property, equipment, forestlands and other assets, International Paper commonly makes representations and warranties relating to such businesses or assets, and may agree to indemnify buyers with respect to tax and environmental liabilities, breaches of representations and warranties, and other matters. Where liabilities for such matters are determined to be probable and subject to reasonable estimation, accrued liabilities are recorded at the time of sale as a cost of the transaction.

ENVIRONMENTAL PROCEEDINGS

International Paper has been named as a potentially responsible party in environmental remediation actions under various federal and state laws, including the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Many of these proceedings involve the cleanup of hazardous substances at large commercial landfills that received waste from many different sources. While joint and several liability is authorized under CERCLA and equivalent state laws, as a practical matter, liability for CERCLA cleanups is typically allocated among the many potential responsible parties. Remedial costs are recorded in the consolidated financial statements when they become probable and reasonably estimable. International Paper has estimated the probable liability associated with these matters to be approximately \$92 million in the aggregate at December 31, 2012.

One of the matters referenced above is a closed wood treating facility located in Cass Lake, Minnesota. During 2009, in connection with an environmental site remediation action under CERCLA, International Paper submitted to the EPA a site remediation feasibility study. In June 2011, the EPA selected and published a proposed soil remedy at the site with an estimated cost

The Company is a potentially responsible party with respect to the Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site (Kalamazoo River Superfund Site) in Michigan. The EPA asserts that the site is contaminated primarily by PCBs as a result of discharges from various paper mills located along the river, including a paper mill formerly owned by St. Regis. The Company is a successor in interest to St. Regis. International Paper has not received any orders from the EPA with respect to the site and is in the process of collecting information from the EPA and other parties relative to the Kalamazoo River Superfund Site to evaluate the extent of its liability, if any, with respect to the site. Accordingly, it is premature to estimate a loss or range of loss with respect to this site.

Also in connection with the Kalamazoo River Superfund Site, the Company was named as a defendant by Georgia-Pacific Consumer Products LP, Fort James Corporation and Georgia Pacific LLC in a contribution and cost recovery action for alleged pollution at the Kalamazoo River Superfund Site. The suit seeks contribution under CERCLA for \$79 million in costs purportedly expended by plaintiffs as of the filing of the complaint, and for future remediation costs. The suit alleges that a mill, during the time it was allegedly owned and operated by St. Regis, discharged PCB contaminated solids and paper residuals resulting from paper de-inking and recycling. Also named as defendants in the suit are NCR Corporation and Weyerhaeuser Company. In mid-2011, the suit was

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transferred from the District Court for the Eastern District of Wisconsin to the District Court for the Western District of Michigan. The case has been split into a liability phase and a potential subsequent allocation/damages phase. The Company is now involved in the liability phase of the case and believes it is premature to predict the outcome or to estimate the amount or range of loss, if any, which may be incurred.

International Paper and McGinnis Industrial Maintenance Corporation, a subsidiary of Waste Management, Inc., are potentially responsible parties at the San Jacinto River Superfund Site in Harris County, Texas, and have been actively participating in investigation and remediation activities at this Superfund Site. In December 2011, Harris County, Texas filed a suit against the Company in Harris County District Court seeking civil penalties with regard to the alleged discharge of dioxin into the San Jacinto River since 1965 from the San Jacinto River Superfund Site. Also named as defendants in this action are McGinnis Industrial Maintenance Corporation, Waste Management, Inc. and Waste Management of Texas, Inc. Harris County is seeking civil penalties pursuant to the Texas Water Code, which provides for the imposition of civil penalties between \$50 and \$25,000 per day. The case is in its preliminary stages and it is therefore premature to predict the outcome or to estimate a loss or range of loss, if any, which may be incurred.

In October 2012, a civil lawsuit was filed against the same defendants, including the Company, in the District Court of Harris County by what are now 363 plaintiffs seeking medical monitoring and damages with regard to the alleged discharge of dioxin into the San Jacinto River since 1965 from waste impoundments that

(LDEQ) of the situation and took corrective actions to restore the water quality of the river. On September 2, 2011, Bogalusa mill operations were restarted upon receiving approval from the LDEQ. The LDEQ, the Mississippi DEQ, and other regulatory agencies in those states have each given notice of intent to levy penalties and recover restitution damages resulting from the Bogalusa Incident. Temple-Inland settled for a total of approximately \$1 million the known claims of various Mississippi regulatory agencies and the Louisiana Department of Wildlife and Fisheries (LDWF). In September 2012, the settlement with the LDWF for restitution damages related to the Bogalusa Incident was vacated by a state district court. However, on January 15, 2013, the state Court of Appeals reversed the trial court's decision, upheld the validity of the LDWF settlement and dismissed the underlying lawsuit. On February 14, 2013, the plaintiff appealed the Court of Appeals' decision to the Louisiana Supreme Court. The Company continues to believe the settlement is valid and will vigorously defend our position. The LDEQ has not yet levied a civil enforcement penalty. Such a penalty is expected, however, and is likely to exceed \$1 million, but is not expected to be material. A plea agreement has been reached with the U.S. Attorney's Office in New Orleans as a result of a federal criminal investigation into the Bogalusa Incident. Pursuant to the plea agreement, on February 6, 2013, Temple-Inland subsidiary, TIN Inc., pleaded guilty in U.S. District Court to a misdemeanor violation of the Clean Water Act and a misdemeanor violation of the National Wildlife Refuge statute. The plea agreement, which remains subject to court approval, provides for a financial penalty, which is not material, and a two-year corporate probation period for TIN Inc.

are a part of the San Jacinto Superfund Site. This case is in its early stages and it is therefore premature to predict the outcome or to estimate a loss or range of loss, if any, which may be incurred. In December 2012, residents of an up-river neighborhood filed a civil action against the same defendants, including the Company, in the District Court of Harris County alleging property damage and personal injury from the alleged discharge of dioxin into the San Jacinto River from the San Jacinto Superfund Site. This case is in the discovery phase and it is therefore premature to predict the outcome or to estimate a loss or range of loss, if any, which may be incurred.

In August 2011, Temple-Inland's Bogalusa, Louisiana paper mill received predictive test results indicating that Biochemical Oxygen Demand (BOD) limits for permitted discharge from the wastewater treatment pond into the Pearl River were exceeded after an upset condition at the mill and subsequently confirmed reports of a fish kill on the Pearl River (the Bogalusa Incident). Temple-Inland initiated a full mill shut down, notified the Louisiana Department of Environmental Quality

Temple-Inland (or its affiliates) is a defendant in 23 civil lawsuits in Louisiana and Mississippi related to the Bogalusa Incident. Fifteen of these civil cases were filed in Louisiana state court shortly after the incident and have been removed and consolidated in an action pending in the U.S. District Court for the Eastern District of Louisiana along with a civil case originally filed in that court. During August 2012, an additional 13 causes of action were filed in federal or state court in Mississippi and Louisiana. In October 2012, International Paper and the Plaintiffs' Steering Committee, the group of attorneys appointed by the Louisiana federal court to organize and coordinate the efforts of all the plaintiffs in this litigation, reached a tentative understanding on key structural terms and an amount for resolution of the litigation. Preliminary approval for the proposed class action settlement was granted in December 2012. In the interim, all civil litigation arising out of the August 2011 discharge has been stayed. We do not believe that a material loss is probable in this litigation.

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LEGAL PROCEEDINGS

In September 2010, eight containerboard producers, including International Paper and Temple-Inland, were named as defendants in a purported class action complaint that alleged a civil violation of Section 1 of the Sherman Act. The suit is captioned *Kleen Products LLC v. Packaging Corp. of America (N.D. Ill.)*. The complaint alleges that the defendants, beginning in August 2005 through November 2010, conspired to limit the supply and thereby increase prices of containerboard products. The alleged class is all persons who purchased containerboard products directly from any defendant for use or delivery in the United States during the period August 2005 to the present. The complaint seeks to recover an unspecified amount of treble actual damages and attorney's fees on behalf of the purported class. Four similar complaints were filed and have been consolidated in the Northern District of Illinois. Moreover, in January 2011, International Paper was named as a defendant in a lawsuit filed in state court in Cocke County, Tennessee alleging that International Paper violated Tennessee law by conspiring to limit the supply and fix the prices of containerboard from mid-2005 to the present. Plaintiffs in the state court action seek certification of a class of Tennessee indirect purchasers of containerboard products, damages and costs, including attorneys' fees. The Company disputes the allegations made and intends to vigorously defend each action. However, because both actions are in the preliminary stages, we are unable to predict an outcome or estimate a range of reasonably possible loss.

Temple-Inland was named as a defendant in a lawsuit filed in August 2011 in the United States District Court for the Northern District of Texas captioned *Tepper v. Temple-Inland Inc.* This lawsuit was brought by the liquidation trustee for Guaranty Financial Group, Inc., Temple-Inland's former financial services business which was spun off by Temple-Inland in 2007, on behalf of certain creditors of the business. The lawsuit alleged, among other things, that Temple-Inland and certain of its affiliates, officers, and directors caused the failure of Guaranty Financial Group and its wholly-owned subsidiary Guaranty Bank and asserted various claims related to the failure. In October 2012, the Company entered into a settlement with the liquidation trustee and the Federal Deposit Insurance Corporation (FDIC) to resolve this litigation. The settlement, which has been approved by the bankruptcy court, resolved all claims related to the spin-off and subsequent failure of Guaranty Bank that have been or could be

payments (\$38 million to the trustee and \$42 million to the FDIC) (the Settlement Amount), a portion of which will be tax deductible. In December 2012, the settlement closed and the Settlement Amount was paid and releases were exchanged. In anticipation of this settlement and based on a May 2012 preliminary settlement agreement with the liquidation trustee, in the second quarter of 2012, the Company established a purchase price accounting reserve relating to this matter in this same amount. As noted below and as previously reported, the Company is seeking to recover a portion of this settlement amount from insurers.

Temple-Inland is a defendant in a lawsuit captioned *North Port Firefighters' Pension v. Temple-Inland Inc.*, filed in November 2011 in the United States District Court for the Northern District of Texas and subsequently amended. The lawsuit alleges a class action against Temple-Inland and certain individual defendants contending that Temple-Inland misrepresented the financial condition of Guaranty Financial Group during the period December 12, 2007 through August 24, 2009. Temple-Inland distributed the stock of Guaranty Financial Group to its shareholders on December 28, 2007, after which Guaranty Financial Group was an independent, publicly held company. The action is pled as a securities claim on behalf of persons who acquired Guaranty Financial Group stock during the putative class period. Although focused chiefly on statements made by Guaranty Financial Group to its shareholders after it was an independent, publicly held company, the action repeats many of the same allegations of fact made in the Tepper litigation. On June 20, 2012, all defendants in the lawsuit filed motions to dismiss the amended complaint. The motion is fully briefed and the Company is awaiting a decision from the court. The Company believes the claims made against Temple-Inland in the North Port lawsuit are without merit, and the Company intends to defend them vigorously. The lawsuit is in its preliminary stages, and thus the Company believes it is premature to predict the outcome or to estimate the amount or range of loss, if any, which may be incurred.

Each of the individual defendants in both the Tepper litigation and the North Port litigation has requested advancement of their costs of defense from Temple-Inland and has asserted a right to indemnification by Temple-Inland. The Company believes that all or part of these defense costs, a portion of the settlement amount in the Tepper litigation and any potential damages awarded against the individual defendants in the North Port litigation and

asserted by the trustee or the FDIC, in its capacity as Receiver of Guaranty Bank, against Temple-Inland and its affiliates or any of its former officers, directors or employees. In exchange for this full release from liability, Temple-Inland agreed to release certain bankruptcy-related claims it and other defendants asserted in the Guaranty Financial Group bankruptcy, and to make \$80 million in

covered by any Temple-Inland indemnity would be covered losses under Temple-Inland's directors and officers insurance. The carriers under the applicable policies have been notified of the claims and each has responded with a reservation of rights letter.

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The Company is currently being challenged by Brazilian tax authorities concerning the statute of limitations related to the use of certain tax credits. The Company is appealing an unfavorable March 2012 administrative court ruling. The potential loss to the Company in the event of a final unfavorable outcome is approximately \$31 million.

The Company is involved in various other inquiries, administrative proceedings and litigation relating to environmental and safety matters, contracts, sales of property, intellectual property, personal injury, labor and employment and other matters, some of which allege substantial monetary damages. While any proceeding or litigation has the element of uncertainty, the Company believes that the outcome of any of the lawsuits or claims that are pending or threatened or all of them combined (other than those that cannot be assessed due to their preliminary nature) will not have a material effect on its consolidated financial statements.

NOTE 11 VARIABLE INTEREST ENTITIES AND PREFERRED SECURITIES OF SUBSIDIARIES

VARIABLE INTEREST ENTITIES

In connection with the 2006 sale of approximately 5.6 million acres of forestlands, International Paper received installment notes (the Timber Notes) totaling approximately \$4.8 billion. The Timber Notes, which do not require principal payments prior to their August 2016 maturity, are supported by irrevocable letters of credit obtained by the buyers of the forestlands.

During 2006, International Paper contributed the Timber Notes to newly formed entities (the Borrower Entities) in exchange for Class A and Class B interests in these entities. Subsequently, International Paper contributed its \$200 million Class A interests in the Borrower Entities, along with approximately \$400 million of International Paper promissory notes, to other newly formed entities (the Investor Entities, and together with the Borrower Entities, the Entities) in exchange for Class A and Class B interests in these entities, and simultaneously sold its Class A interest in the Investor Entities to a third party investor. As a result, at December 31, 2006, International Paper held Class B interests in the Borrower Entities and Class B interests in the Investor Entities valued at approximately \$5.0 billion. International Paper did not provide any financial support that was not previously contractually required for the years ended December 31, 2012, 2011 or 2010.

Following the 2006 sale of forestlands and creation of the Entities discussed above, the Timber Notes were used as collateral for borrowings from third party lenders, which effectively monetized the Timber Notes.

Provisions of certain loan agreements require any bank issuing letters of credit supporting the Timber Notes to maintain a credit rating above a specified threshold. In the event the credit rating of a letter of credit bank is downgraded below the specified threshold, the letters of credit must be replaced within 60 days by letters of credit from a qualifying institution, or for one letter of credit bank, collateral must be posted. The Company, retained to provide management services for the third-party entities that hold the Timber Notes, has, as required by the loan agreements, successfully replaced banks that fell below the specified threshold or obtained a waiver as further discussed below.

Also during 2006, the Entities acquired approximately \$4.8 billion of International Paper debt obligations for cash, resulting in a total of approximately \$5.2 billion of International Paper debt obligations held by the Entities at December 31, 2006. The various agreements entered into in connection with these transactions provide that International Paper has, and intends to effect, a legal right to offset its obligation under these debt instruments with its investments in the Entities. Accordingly, for financial reporting purposes, International Paper has offset approximately \$5.2 billion of Class B interests in the Entities against \$5.3 billion and \$5.2 billion of International Paper debt obligations held by these Entities at December 31, 2012 and 2011, respectively. Despite the offset treatment, these remain debt obligations of International Paper. Remaining borrowings of \$79 million and \$92 million at December 31, 2012 and 2011, respectively, are included in floating rate notes due 2012 – 2017 in the summary of long-term debt in Note 12. Additional debt related to the above transaction of \$79 million and \$38 million is included in short-term notes in the summary of long-term debt in Note 12 at December 31, 2012 and 2011, respectively.

On February 5, 2010, Moody's Investor Services reduced its credit rating of senior unsecured long-term debt of the Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), which issued letters of credit that support \$1.4 billion of the Timber Notes, below the specified threshold. The letters of credit were successfully replaced by another qualifying institution.

On October 7, 2011, Moody's Investor Services reduced its credit rating of senior unsecured long-term debt of the Royal Bank of Scotland Group Plc, which issued letters of credit that support \$1.6 billion of the Timber Notes, below the specified threshold. Letters of credit worth \$842 million were successfully replaced by other qualifying institutions. Fees of \$5 million were incurred in connection with this replacement. The Company and third-party managing member instituted a replacement waiver for the remaining \$797 million. On July 25, 2012, these letters of credit were successfully replaced by another qualifying institution.

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In the event the credit rating of the letter of credit bank is downgraded below a specified threshold, the new bank is required to provide credit support for its obligation. Fees of \$5 million were

impacting the structure's economic performance. The credit quality of the Timber Notes is supported by irrevocable letters of credit obtained by third-party buyers which are 100% cash collateralized. International Paper analyzed which party has control over the

incurred in connection with this replacement.

On November 29, 2011, Standard and Poor's reduced its credit rating of senior unsecured long-term debt of Lloyds TSB Bank Plc, which issued letters of credit that support \$1.2 billion of the Timber Notes, below the specified threshold. The letters of credit were successfully replaced by another qualifying institution. Fees of \$4 million were incurred in connection with this replacement.

On January 23, 2012, Standard and Poor's reduced its credit rating of senior unsecured long-term debt of Société Générale SA, which issued letters of credit that support \$666 million of the Timber Notes, below the specified threshold. The letters of credit were successfully replaced by another qualifying institution. Fees of \$5 million were incurred in connection with this replacement.

On June 21, 2012, Moody's Investor Services reduced its credit rating of senior unsecured long-term debt of BNP Paribas, which issued letters of credit that support \$707 million of Timber Notes, below the specified threshold. On December 19, 2012, the Company and the third-party managing member agreed to a continuing replacement waiver for these letters of credit, terminable upon 30 days notice.

Activity between the Company and the Entities was as follows:

<i>In millions</i>	2012	2011	2010
Revenue (loss) (a)	\$ 49	\$ 49	\$ 42
Expense (a)	90	79	79
Cash receipts (b)	36	28	32
Cash payments (c)	87	79	82

- (a) The net expense related to the Company's interest in the Entities is included in Interest expense, net in the accompanying consolidated statement of operations, as International Paper has and intends to effect its legal right to offset as discussed above.
- (b) The cash receipts are equity distributions from the Entities to International Paper.
- (c) The semi-annual payments are related to interest on the associated debt obligations discussed above.

Based on an analysis of the Entities discussed above under guidance that considers the potential magnitude of the variability in the structures and which party has a controlling financial interest, International Paper determined that it is not the primary beneficiary of the Entities, and therefore, should not consolidate its investments in these entities. It was also determined that the source of variability in the structure is the value of the Timber Notes, the assets most significantly

economic performance of each entity, and concluded International Paper does not have control over significant decisions surrounding the Timber Notes and letters of credit and therefore is not the primary beneficiary. The Company's maximum exposure to loss equals the value of the Timber Notes; however, an analysis performed by the Company concluded the likelihood of this exposure is remote.

International Paper also held variable interests in two financing entities that were used to monetize long-term notes received from the sale of forestlands in 2001 and 2002. International Paper transferred notes (the Monetized Notes, with an original maturity of 10 years from inception) and cash of approximately \$1.0 billion to these entities in exchange for preferred interests, and accounted for the transfers as a sale of the notes with no associated gain or loss. In the same period, the entities acquired approximately \$1.0 billion of International Paper debt obligations for cash. International Paper has no obligation to make any further capital contributions to these entities and did not provide any financial support that was not previously contractually required during the years ended December 31, 2012, 2011 or 2010.

Activity between the Company and the 2001 financing entities was as follows:

<i>In millions</i>	2012	2011	2010
Revenue (loss) (a)	\$ —	\$ 1	\$ (1)
Expense (a)	—	3	12
Cash receipts (b)	—	—	4
Cash payments (c)	—	3	12

- (a) The net expense related to the Company's interest in the 2001 financing entities is included in Interest expense, net in the accompanying consolidated statement of operations, as International Paper has and intends to effect its legal right to offset as discussed above.
- (b) The cash receipts are equity distributions from the 2001 financing entities to International Paper.
- (c) The cash payments are related to interest on the associated debt obligations discussed above.

The 2001 Monetized Notes of \$499 million matured on March 16, 2011. Following their maturity, International Paper purchased the Class A preferred interest in the 2001 financing entities from an external third-party for \$21 million. As a result of the purchase, effective March 16, 2011, International Paper owned 100% of the 2001 financing entities. Based on an analysis performed by the Company after the purchase, under guidance that considers the potential magnitude of the variability in the structure and which party has a controlling financial interest, International Paper

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determined that it was the primary beneficiary of the 2001 financing entities and thus consolidated the entities effective March 16, 2011. Effective April 30, 2011, International Paper liquidated its interest in the 2001 financing entities.

Activity between the Company and the 2002 financing entities was as follows:

<i>In millions</i>	2012	2011	2010
Revenue (loss) (a)	\$ —	\$ 2	\$ 5
Expense (b)	—	3	8
Cash receipts (c)	252	192	3
Cash payments (d)	159	244	8

that resulted from the forestlands installment sales and the offset accounting treatment described above.

In connection with the acquisition of Temple-Inland in February 2012, two special purpose entities became wholly-owned subsidiaries of International Paper.

In October 2007, Temple-Inland sold 1.55 million acres of timberlands for \$2.38 billion. The total consideration consisted almost entirely of notes due in 2027 issued by the buyer of the timberlands, which Temple-Inland contributed to two wholly-owned, bankruptcy-remote special purpose entities. The notes are shown in Financial assets of special purpose entities in the accompanying consolidated balance sheet and are supported by \$2.38 billion of irrevocable letters of credit issued by three banks, which are required to maintain minimum credit ratings on their

- (a) *The revenue is included in Equity earnings (loss), net of tax in the accompanying consolidated statement of operations.*
- (b) *The expense is included in Interest expense, net in the accompanying consolidated statement of operations.*
- (c) *The cash receipts are equity distributions from the 2002 financing entities to International Paper and cash receipts from the maturity of the 2002 Monetized Notes.*
- (d) *The cash payments include both interest and principal on the associated debt obligations.*

On May 31, 2011, the third-party equity holder of the 2002 financing entities retired its Class A interest in the entities for \$51 million. As a result of the retirement, effective May 31, 2011, International Paper owned 100% of the 2002 financing entities. Based on an analysis performed by the Company after the retirement, under guidance that considers the potential magnitude of the variability in the structure and which party has controlling financial interest, International Paper determined that it was the primary beneficiary of the 2002 financing entities and thus consolidated the entities effective May 31, 2011.

During the year ended December 31, 2011 approximately \$191 million of the 2002 Monetized Notes matured. Outstanding debt related to these entities of \$158 million is included in floating rate notes due 2011 – 2017 in the summary of long-term debt in Note 12 at December 31, 2011. As of May 31, 2012, this debt had been repaid.

During the year ended December 31, 2012, \$252 million of the 2002 Monetized Notes matured. As of result of these maturities, Accounts and notes receivable decreased \$252 million and Notes payable and current maturities of long-term debt decreased \$158 million. Deferred tax liabilities associated with the 2002 forestland installment sales decreased \$67 million. Effective June 1, 2012, International Paper liquidated its interest in the 2002 financing entities.

The use of the above entities facilitated the monetization of the credit enhanced Timber and Monetized Notes in a cost effective manner by increasing the borrowing capacity and lowering the interest rate while continuing to preserve the tax deferral

long-term debt. In the third quarter of 2012, International Paper completed its preliminary analysis of the acquisition date fair value of the notes and determined it to be \$2.09 billion. As a result of this analysis, Financial assets of special purpose entities decreased by \$292 million and Goodwill increased by the same amount. As of December 31, 2012, the fair value of the notes was \$2.21 billion.

In December 2007, Temple-Inland's two wholly-owned special purpose entities borrowed \$2.14 billion shown in Nonrecourse financial liabilities of special purpose entities in the accompanying consolidated balance sheet. The loans are repayable in 2027 and are secured only by the \$2.38 billion of notes and the irrevocable letters of credit securing the notes and are nonrecourse to the Company. The loan agreements provide that if a credit rating of any of the banks issuing the letters of credit is downgraded below the specified threshold, the letters of credit issued by that bank must be replaced within 30 days with letters of credit from another qualifying financial institution. In the third quarter of 2012, International Paper completed its preliminary analysis of the acquisition date fair value of the borrowings and determined it to be \$2.03 billion. As a result of this analysis, Nonrecourse financial liabilities of special purpose entities decreased by \$110 million and Goodwill decreased by the same amount. As of December 31, 2012, the fair value of this debt was \$2.12 billion.

The buyer of the Temple-Inland timberland issued the \$2.38 billion in notes from its wholly-owned, bankruptcy-remote special purpose entities. The buyer's special purpose entities held the timberlands from the transaction date until November 2008, at which time the timberlands were transferred out of the buyer's special purpose entities. Due to the transfer of the timberlands, Temple-Inland evaluated the buyer's special purpose entities and determined that they were variable interest entities and that Temple-Inland was the primary beneficiary. As a result, in 2008, Temple-Inland

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began consolidating the buyer's special purpose entities.

On January 23, 2012, Standard and Poor's reduced its credit rating of senior unsecured long-term debt of Société Générale SA, which issued letters of credit that support \$506 million of the 2007 Monetized Notes, below the specific threshold. These letters of credit were successfully replaced by another qualifying institution. Fees of \$2 million were incurred in connection with this replacement.

On June 21, 2012, Moody's Investor Services reduced its credit rating of senior unsecured long-term debt of Barclays Bank PLC, which issued letters of credit that support approximately \$500 million of the 2007 Monetized Notes, below the specified threshold. These letters of credit were successfully replaced by another qualifying institution. Fees of \$6 million were incurred in connection with this replacement.

Activity between the Company and the 2007 financing entities was as follows:

<i>In millions</i>	2012	2011	2010
Revenue (loss) (a)	\$ 28	\$ —	\$ —
Expense (b)	28	—	—
Cash receipts (c)	12	—	—

on LIBOR. Southeast Timber, which through a subsidiary initially held approximately 1.50 million acres of forestlands in the southern United States, was International Paper's primary vehicle for sales of southern forestlands. As of December 31, 2012, substantially all of these forestlands have been sold. These preferred securities may be put back to International Paper by the private investor upon the occurrence of certain events, and have a liquidation preference that approximates their face amount. The \$150 million preferred third-party interest is included in Noncontrolling interests in the accompanying consolidated balance sheet. Distributions paid to the third-party investor were \$6 million, \$5 million and \$5 million in 2012, 2011 and 2010, respectively. The expense related to these preferred securities is shown in Net earnings (loss) attributable to noncontrolling interests in the accompanying consolidated statement of operations.

NOTE 12 DEBT AND LINES OF CREDIT

In February 2012, International Paper issued a \$1.2 billion term loan with an initial interest rate of LIBOR plus a margin of 138 basis points that varies depending on the credit rating of the Company and a \$200 million term loan with an interest rate of LIBOR plus a margin of 175 basis points, both with maturity dates in 2017. The proceeds from these borrowings were used, along with available cash, to fund the acquisition of Temple-Inland. During 2012, International Paper fully repaid the \$1.2 billion term

Cash payments (d) 22 — —

- (a) The revenue is included in Interest expense, net in the accompanying consolidated statement of operations and includes \$17 million of accretion income for the amortization of the purchase accounting adjustment of the Financial assets of special purpose entities.
- (b) The expense is included in Interest expense, net in the accompanying consolidated statement of operations and includes \$6 million of accretion expense for the amortization of the purchase accounting adjustment on the Nonrecourse financial liabilities of special purpose entities.
- (c) The cash receipts are interest received on the Financial assets of special purpose entities.
- (d) The cash payments are interest paid on Nonrecourse financial liabilities of special purpose entities.

Based on the analysis performed by the Company after the purchase of Temple-Inland and completed in the third quarter of 2012, under guidance that considers the potential magnitude of the variability in the structure and which party has a controlling financial interest, International Paper determined that it was not the primary beneficiary of the buyer's special purpose entities that purchased the timberlands from Temple-Inland and therefore, should not consolidate the buyer's special purpose entities financial results as was historically shown by Temple-Inland.

PREFERRED SECURITIES OF SUBSIDIARIES

In March 2003, Southeast Timber, Inc. (Southeast Timber), a consolidated subsidiary of International Paper, issued \$150 million of preferred securities to a private investor with future dividend payments based

loan.

Amounts related to early debt extinguishment during the years ended December 31, 2012, 2011 and 2010 were as follows:

In millions	2012	2011	2010
Debt reductions (a)	\$ 1,272	\$ 129	\$ 393
Pre-tax early debt extinguishment costs (b)	48	32	39

- (a) Reductions related to notes with interest rates ranging from 1.625% to 9.375% with original maturities from 2010 to 2041 for the years ended December 31, 2012, 2011 and 2010.
- (b) Amounts are included in Restructuring and other charges in the accompanying consolidated statements of operations.

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A summary of long-term debt follows:

In millions at December 31	2012	2011
8.7% note – due 2038	\$ 263	\$ 273
9 3/8% note – due 2019	846	844
7.95% debentures – due 2018	1,462	1,505
7.5% note – due 2021	999	999
7.4% debentures – due 2014	303	303
7.3% notes – due 2039	721	725
6 7/8% notes – due 2023 – 2029	130	130
6.65% note – due 2037	4	4
6.4% to 7.75% debentures due 2025 – 2027	142	141
6 3/8% to 6 5/8% notes – due 2016 – 2018	373	—
6.0% notes – due 2041	585	600
5.85% notes – due 2012	—	38
5.25% to 5.5% notes – due 2014 – 2016	701	701
4.75% notes – due 2022	899	900
Floating rate notes – due 2012 – 2017 (a)	314	356
Environmental and industrial development bonds – due 2012 – 2035 (b)	1,812	1,958
Short-term notes (c)	255	279
Other (d)	331	152
Total (e)	10,140	9,908
Less: current maturities	444	719
Long-term debt	\$ 9,696	\$ 9,189

- (a) The weighted average interest rate on these notes was 2.6% in 2012 and 1.9% in 2011.
- (b) The weighted average interest rate on these bonds was 5.6% in 2012 and 5.5% in 2011.

generally provide for interest rates at a floating rate index plus a pre-determined margin dependent upon International Paper's credit rating. The Agreements include a \$1.5 billion contractually committed bank facility that expires in August 2016 and has a facility fee of 0.175% payable quarterly. The Agreements also include up to \$1.0 billion of commercial paper-based financings based on eligible receivables balances (\$1.0 billion available as of December 31, 2012) under a receivables securitization program. On January 9, 2013, the Company amended the receivables securitization program to extend the maturity date from January 2013 to January 2014. The amended agreement has a facility fee of 0.35% payable monthly. At December 31, 2012, there were no borrowings under either the bank facility or receivables securitization program. In November 2012, International Paper terminated the \$250 million receivable securitization facility previously acquired from Temple-Inland.

Maintaining an investment grade credit rating is an important element of International Paper's financing strategy. At December 31, 2012, the Company held long-term credit ratings of BBB (stable outlook) and Baa3 (stable outlook) by S&P and Moody's, respectively.

NOTE 13 DERIVATIVES AND HEDGING ACTIVITIES

International Paper periodically uses derivatives and other financial instruments to hedge exposures to interest rate, commodity and currency risks. International Paper does not hold or issue financial instruments for trading purposes. For hedges that meet the hedge accounting criteria, International Paper, at inception, formally designates and documents the instrument as a fair value hedge, a cash flow hedge or a net investment hedge of a specific underlying exposure.

INTEREST RATE RISK MANAGEMENT

- (c) The weighted average interest rate was 2.2% in 2012 and 5.0% in 2011. Includes \$29 million at December 31, 2012 and \$173 million at December 31, 2011 related to non-U.S. denominated borrowings with a weighted average interest rate of 5.6% in 2012 and 5.9% in 2011.
- (d) Includes \$61 million at December 31, 2012 and \$79 million at December 31, 2011, related to the unamortized gain on interest rate swap unwinds (see Note 13).
- (e) The fair market value was approximately \$12.3 billion at December 31, 2012 and \$11.2 billion at December 31, 2011.

In addition to the long-term debt obligations shown above, International Paper has \$5.3 billion of debt obligations payable to non-consolidated variable interest entities having principal payments of \$5.3 billion due in 2016, for which International Paper has, and intends to effect, a legal right to offset these obligations with Class B interests held in the entities. Accordingly, in the accompanying consolidated balance sheet, International Paper has offset the \$5.3 billion of debt obligations with \$5.2 billion of Class B interests in these entities as of December 31, 2012 (see Note 11). Total maturities of long-term debt over the next five years are 2013 – \$444 million; 2014 – \$708 million; 2015 – \$479 million; 2016 – \$571 million; and 2017 – \$216 million.

At December 31, 2012, International Paper's contractually committed credit facilities (the Agreements) totaled \$2.5 billion. The Agreements

Our policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost-efficient manner, we enter into interest rate swaps whereby we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a notional amount.

Interest rate swaps that meet specific accounting criteria are accounted for as fair value or cash flow hedges. For fair value hedges, the changes in the fair value of both the hedging instruments and the underlying debt obligations are immediately recognized in interest expense. For cash flow hedges, the effective portion of the changes in the fair value of the hedging instrument is reported in Accumulated other

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comprehensive income ("AOCI") and reclassified into interest expense over the life of the underlying debt. The ineffective portion for both cash flow and fair value hedges, which is not material for any year presented, is immediately recognized in earnings.

FOREIGN CURRENCY RISK MANAGEMENT

We manufacture and sell our products and finance operations in a number of countries throughout the world and, as a result, are exposed to movements in foreign currency exchange rates. The purpose of our foreign currency hedging program is to manage the volatility associated with the changes in exchange rates.

To manage this exchange rate risk, we have historically utilized a combination of forward contracts, options and currency swaps. Contracts that qualify are designated as cash flow hedges of certain forecasted transactions denominated in foreign currencies. The effective portion of the changes in fair value of these instruments is reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the related hedged transactions affect earnings. The ineffective portion, which is not material for any year presented, is immediately recognized in earnings.

In the second quarter of 2012, the Company added zero-cost collar option contracts to its portfolio to manage its exposure to U.S. dollar / Brazilian real exchange rates. These zero-cost collar instruments qualify as cash flow hedges of certain forecasted transactions denominated in U.S. dollars. The effective portion of the changes in fair value of these instruments is reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the related hedged transactions affect earnings. The ineffective portion is immediately recognized in earnings.

The change in value of certain non-qualifying instruments used to manage foreign exchange exposure of intercompany financing transactions and certain balance sheet items subject to revaluation is immediately recognized in earnings, substantially offsetting the

hedges of forecasted commodity purchases. The effective portion of the changes in fair value for these instruments is reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the hedged transactions affect earnings. The ineffective and non-qualifying portions, which are not material for any year presented, are immediately recognized in earnings.

The notional amounts of qualifying and non-qualifying instruments used in hedging transactions were as follows:

In millions	December 31, 2012	December 31, 2011
Derivatives in Cash Flow Hedging Relationships:		
Foreign exchange contracts (Sell / Buy; denominated in sell notional): (a)		
British pounds / Brazilian real - Forward	13	26
European euro / Brazilian real - Forward	13	16
European euro / Polish zloty - Forward	149	233
U.S. dollar / Brazilian real - Forward	238	344
U.S. dollar / Brazilian real - Zero-cost collar	18	—
U.S. dollar / European euro - Forward	—	13
Natural gas contracts (in MMBTUs)	—	3
Derivatives Not Designated as Hedging Instruments:		
Embedded derivative (in USD)	150	150
Foreign exchange contracts (Sell / Buy; denominated in sell notional):		
Indian rupee / U.S. dollar	140	904
Thai baht / U.S. dollar	261	—
U.S. dollar / Turkish lira	56	—
Interest rate contracts (in USD)	150 (b)	150 (b)

(a) These contracts had maturities of three years or less as of December 31, 2012.

(b) Includes \$150 million floating-to-fixed interest rate swap notional to offset the embedded derivative.

The following table shows gains or losses recognized in AOCI, net of tax, related to derivative instruments:

foreign currency mark-to-market impact of the related exposure.

COMMODITY RISK MANAGEMENT

Certain raw materials used in our production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. To manage the volatility in earnings due to price fluctuations, we may utilize swap contracts. These contracts are designated as cash flow

In millions	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)		
	2012	2011	2010
Foreign exchange contracts	\$ 16	\$ (39)	\$ 37
Fuel oil contracts	—	2	(1)
Natural gas contracts	(1)	(6)	(13)
Total	\$ 15	\$ (43)	\$ 23

During the next 12 months, the amount of the December 31, 2012 AOCI balance, after tax, that is expected to be reclassified to earnings is a loss of \$9 million.

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The amounts of gains and losses recognized in the consolidated statement of operations on qualifying and non-qualifying financial instruments used in hedging transactions were as follows:

	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)			Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
<i>In millions</i>	2012	2011	2010	
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange contracts	\$ (15)	\$ 8	\$ 42	Cost of products sold
Fuel oil contracts	—	4	4	Cost of products sold
Natural gas contracts	(7)	(20)	(15)	Cost of products sold
Total	\$ (22)	\$ (8)	\$ 31	

	Gain (Loss) Recognized in Income			Location of Gain (Loss) in Consolidated Statement of Operations
<i>In millions</i>	2012	2011	2010	
Derivatives in Fair Value Hedging Relationships:				
Interest rate contracts	\$ —	\$ (10)	\$ 25	Interest expense, net
Debt	—	10	(25)	Interest expense, net
Total	\$ —	\$ —	\$ —	
Derivatives Not Designated as Hedging Instruments:				
Electricity Contracts	\$ (4)	\$ —	\$ —	Cost of products sold
Embedded derivatives	(4)	(3)	3	Interest expense, net
Foreign exchange contracts	—	(14) (a)	33	Cost of products sold
Interest rate contracts	22	3	20 (b)	Interest expense, net
Total	\$ 14	\$ (14)	\$ 56	

(a) Premium costs of \$5 million in connection with the acquisition of APPM are included in Restructuring and other charges in the accompanying consolidated statement of operations.

(b) Includes a gain of \$22 million due to changes in the fair value of interest rate swap agreements of \$1.0 billion floating-to-fixed notional and an offsetting \$1.0 billion fixed-to-floating notional that did not qualify as hedges under the accounting guidance and matured in September 2010.

The following activity is related to fully effective interest rate swaps designated as fair value hedges:

2012

2011

<i>In millions</i>	Issued	Terminated	Undesignated	Issued	Terminated	Undesignated
Fourth Quarter	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Third Quarter	—	—	—	—	464 (b)	—
Second Quarter	—	—	—	100 (a)	—	—
First Quarter	—	—	—	100 (a)	—	—
Total	\$ —	\$ —	\$ —	\$ 200	\$ 464	\$ —

(a) Fixed-to-floating interest rate swaps were effective when issued and were terminated in the third quarter of 2011.

(b) Terminations of fixed-to-floating interest rate swaps were not in connection with early debt retirements. The resulting \$27 million gain was deferred and recorded in Long-term debt and is being amortized as an adjustment of interest expense over the life of the respective underlying debt through June 2014, March 2015 or March 2016.

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Fair Value Measurements

International Paper's financial assets and liabilities that are recorded at fair value consist of derivative contracts, including interest rate swaps, foreign currency forward contracts, and other financial instruments that are used to hedge exposures to interest rate, commodity and currency risks. In addition, a consolidated subsidiary of International Paper has an embedded derivative. For these financial instruments and the embedded derivative, fair value is determined at each balance sheet date using an income approach.

The guidance for fair value measurements and disclosures sets out a fair value hierarchy that groups fair value measurement inputs into the following three classifications:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability reflecting the reporting entity's own assumptions or external inputs from inactive markets.

Transfers between levels are recognized at the end of the reporting period. All of International Paper's derivative fair value measurements use Level 2 inputs.

Below is a description of the valuation calculation and the inputs used for each class of contract:

Interest Rate Contracts

Interest rate contracts are valued using swap curves obtained from an independent market data provider. The market value of each contract is the sum of the fair value of all future interest payments between the contract counterparties, discounted to present value. The fair value of the future interest payments is determined by comparing the contract rate to the

derived forward interest rate and present valued using the appropriate derived interest rate curve.

Fuel Oil Contracts

Fuel oil contracts are valued using the average of two forward fuel oil curves as quoted by third parties. The fair value of each contract is determined by comparing the strike price to the forward price of the corresponding fuel oil contract and present valued using the appropriate interest rate curve.

Natural Gas Contracts

Natural gas contracts are traded over-the-counter and settled using the NYMEX last day settle price; therefore, forward contracts are valued using the closing prices of the NYMEX natural gas future contracts. The fair value of each contract is determined by comparing the strike price to the closing price of the corresponding natural gas future contract and present valued using the appropriate interest rate curve.

Foreign Exchange Contracts

Foreign currency forward contracts are valued using foreign currency forward and interest rate curves obtained from an independent market data provider. The fair value of each contract is determined by comparing the contract rate to the forward rate. The fair value is present valued using the applicable interest rate from an independent market data provider.

Embedded Derivative

Embedded derivatives are valued using a hypothetical interest rate derivative with identical terms. The hypothetical interest rate derivative contracts are fair valued as described above under Interest Rate Contracts.

Since the volume and level of activity of the markets that each of the above contracts are traded in has been normal, the fair value calculations have not been adjusted for inactive markets or disorderly transactions.

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The following table provides a summary of the impact of our derivative instruments in the consolidated balance sheet:

Fair Value Measurements
Level 2 – Significant Other Observable Inputs

In millions	Assets		Liabilities	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Derivatives designated as hedging instruments				
Foreign exchange contracts – cash flow	\$ 7 (a)	\$ —	\$ 21 (d)	\$ 53 (f)
Natural gas contracts – cash flow	—	—	—	10 (e)
Total derivatives designated as hedging instruments	\$ 7	\$ —	\$ 21	\$ 63
Derivatives not designated as hedging instruments				
Electricity contract	\$ —	\$ —	\$ 1 (e)	\$ —
Embedded derivatives	1 (b)	5 (c)	—	—
Foreign exchange contracts	1 (b)	1 (b)	—	—
Interest rate contracts	—	—	1 (e)	5 (g)
Total derivatives not designated as hedging instruments	\$ 2	\$ 6	\$ 2	\$ 5
Total derivatives	\$ 9	\$ 6	\$ 23	\$ 68

(a) Includes \$3 million recorded in Other current assets and \$4 million recorded in Deferred charges and other assets in the accompanying consolidated balance sheet.

(b) Included in Other current assets in the accompanying consolidated balance sheet.

(c) Included in Deferred charges and other assets in the accompanying consolidated balance sheet.

(d) Includes \$20 million recorded in Other accrued liabilities and \$1 million recorded in Other liabilities in the accompanying consolidated balance sheet.

(e) Included in Other accrued liabilities in the accompanying consolidated balance sheet.

(f) Includes \$32 million recorded in Other accrued liabilities and \$21 million recorded in Other liabilities in the accompanying consolidated balance sheet.

(g) Included in Other liabilities in the accompanying consolidated balance sheet.

Credit-Risk-Related Contingent Features

International Paper evaluates credit risk by monitoring its exposure with each counterparty to ensure that exposure stays within acceptable policy limits. Credit risk is also mitigated by contractual provisions with the majority of our banks. Most of the contracts include a credit support annex that requires the posting of collateral by the counterparty or International Paper based on each party's rating and level of exposure. Based on the Company's current credit rating, the collateral threshold is generally \$10 million.

December 31, 2011. The Company was not required to post any collateral as of December 31, 2012 or 2011. In addition, existing derivative contracts (except foreign exchange contracts) provide for netting across most derivative positions in the event a counterparty defaults on a payment obligation. International Paper currently does not expect any of the counterparties to default on their obligations.

NOTE 14 CAPITAL STOCK

The authorized capital stock at both December 31, 2012 and 2011, consisted of 990,850,000 shares of common stock, \$1 par value; 400,000 shares of cumulative \$4 preferred stock, without par value (stated value \$100 per share); and 8,750,000 shares of serial preferred stock, \$1 par value. The serial preferred stock is issuable in one or more series by the Board of Directors without further shareholder action.

The following is a rollforward of shares of common stock for the three years ended December 31, 2012, 2011 and 2010:

If the lower of the Company's credit rating by Moody's or S&P were to drop below investment grade, the Company would be required to post collateral for all of its derivatives in a net liability position, although no derivatives would terminate. The fair values of derivative instruments containing credit-risk-related contingent features in a net liability position were \$18 million as of December 31, 2012 and \$67 million as of

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In thousands	Common Stock	
	Issued	Treasury
Balance at January 1, 2010	437,022	3,862
Issuance of stock for various plans, net	1,849	(3,796)
Repurchase of stock	—	1,168
Balance at December 31, 2010	438,871	1,234
Issuance of stock for various plans, net	1	(326)
Repurchase of stock	—	1,013
Balance at December 31, 2011	438,872	1,921
Issuance of stock for various plans, net	1,022	(2,994)
Repurchase of stock	—	1,086
Balance at December 31, 2012	439,894	13

NOTE 15 RETIREMENT PLANS

International Paper sponsors and maintains the Retirement Plan of International Paper Company (the "Pension Plan"), a tax-qualified defined benefit pension plan that provides retirement benefits to substantially all U.S. salaried employees and hourly employees (receiving salaried benefits) hired prior to July 1, 2004, and substantially all other U.S. hourly and union employees who work at a participating business unit regardless of hire date. These employees generally are eligible to participate in the Pension Plan upon attaining 21 years of age and completing one year of eligibility service. U.S. salaried employees and hourly employees (receiving salaried benefits) hired after June 30, 2004 are not eligible to participate in the Pension Plan, but receive a company contribution to their individual savings plan accounts (see Other U.S. Plans). The Pension Plan provides defined pension benefits based on years of credited service and either final average earnings (salaried employees and hourly employees receiving salaried benefits), hourly job rates or specified benefit rates (hourly and union employees).

In connection with the Temple-Inland acquisition in February 2012, International Paper assumed administrative responsibility for the Temple-Inland Retirement Plan, a defined benefit plan which covers substantially all employees of Temple-Inland.

The Company also has three unfunded nonqualified defined benefit pension plans: a Pension Restoration Plan available to employees hired prior to July 1, 2004 that provides retirement benefits based on eligible compensation in excess of limits set by the Internal Revenue Service, and two supplemental retirement plans for senior managers (SERP), which is an alternative retirement plan for salaried employees who are senior vice presidents and above or who are designated by the chief executive officer as participants. These nonqualified plans are only funded to the extent of benefits paid, which totaled \$95 million, \$19 million and \$37 million in 2012, 2011 and 2010,

respectively, and which are expected to be \$32 million in 2013.

Many non-U.S. employees are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes.

OBLIGATIONS AND FUNDED STATUS

The following table shows the changes in the benefit obligation and plan assets for 2012 and 2011, and the plans' funded status. The U.S. combined benefit obligation as of December 31, 2012 increased by \$3.6 billion, as a result of a decrease in the discount rate assumption used in computing the estimated benefit obligation as well as the acquisition of Temple-Inland. U.S. plan assets increased by \$1.9 billion, reflecting the acquisition of the Temple-Inland Retirement Plan, favorable investment results and a \$44 million voluntary contribution in 2012 offset by benefit payments.

In millions	2012		2011	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Change in projected benefit obligation:				
Benefit obligation, January 1	\$ 10,555	\$ 183	\$ 9,824	\$ 183
Service cost	152	3	121	2
Interest cost	604	12	544	12
Settlements	—	(3)	—	(2)
Actuarial loss	1,923	30	692	—
Acquisitions	1,748	3	—	4
Plan merger	—	—	5	—
Plan amendments	20	—	—	—
Benefits paid	(802)	(8)	(631)	(9)
Effect of foreign currency exchange rate movements	—	3	—	(7)
Benefit obligation, December 31	\$ 14,201	\$ 223	\$ 10,555	\$ 183
Change in plan assets:				
Fair value of plan assets	\$ 8,185	\$ 155	\$ 8,344	\$ 156
Actual return on plan assets	1,183	18	152	4
Company contributions	139	8	319	12
Benefits paid	(802)	(8)	(631)	(9)
Settlements	—	(3)	—	(2)
Acquisitions	1,406	—	—	—
Plan merger	—	—	1	—
Effect of foreign currency exchange rate movements	—	1	—	(6)
Fair value of plan assets, December 31	\$ 10,111	\$ 171	\$ 8,185	\$ 155
Funded status, December 31	\$ (4,090)	\$ (52)	\$ (2,370)	\$ (28)
Amounts recognized in the consolidated balance sheet:				
Non-current asset	\$ —	\$ 4	\$ —	\$ 11
Current liability	(32)	(2)	(32)	(2)
Non-current liability	(4,058)	(54)	(2,338)	(37)
	\$ (4,090)	\$ (52)	\$ (2,370)	\$ (28)

Amounts recognized in accumulated other comprehensive income under ASC 715 (pre-tax):

Prior service cost	\$ 144	\$ —	\$ 156	\$ —
Net actuarial loss	5,840	34	4,453	10
	\$ 5,784	\$ 34	\$ 4,609	\$ 10

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The components of the \$1.2 billion and \$24 million increase related to U.S. plans and non-U.S. plans, respectively, in the amounts recognized in OCI during 2012 consisted of:

<i>In millions</i>	U.S. Plans	Non- U.S. Plans
Current year actuarial (gain) loss	\$ 1,494	\$ 24
Amortization of actuarial loss	(307)	—
Current year prior service cost	20	—
Amortization of prior service cost	(32)	—
Settlements	—	—
	\$ 1,175	\$ 24

The accumulated benefit obligation at December 31, 2012 and 2011 was \$13.8 billion and \$10.3 billion, respectively, for our U.S. defined benefit plans and \$206 million and \$171 million, respectively, at December 31, 2012 and 2011 for our non-U.S. defined benefit plans.

The following table summarizes information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2012 and 2011:

	2012		2011	
<i>In millions</i>	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Projected benefit obligation	\$ 14,201	\$ 200	\$ 10,555	\$ 40
Accumulated benefit obligation	13,772	188	10,275	33
Fair value of plan assets	10,111	143	8,185	2

ASC 715, "Compensation – Retirement Benefits" provides for delayed recognition of actuarial gains and losses, including amounts arising from changes in the estimated projected plan benefit obligation due to changes in the assumed discount rate, differences between the actual and expected return on plan assets and other assumption changes. These net gains and losses are recognized prospectively over a period that approximates the average remaining service period of active employees expected to receive benefits under the plans (approximately 9 years as of December 31, 2012 for the U.S. plans) to the extent that they are not offset by gains in subsequent years. The estimated net loss and prior service cost that will be amortized from AOCI into net periodic pension cost for the U.S. plans during the next fiscal year are expected to be \$490 million and \$34 million, respectively.

NET PERIODIC PENSION EXPENSE

Service cost is the actuarial present value of benefits attributed by the plans' benefit formula to services

rendered by employees during the year. Interest cost represents the increase in the projected benefit obligation, which is a discounted amount, due to the passage of time. The expected return on plan assets reflects the computed amount of current-year earnings from the investment of plan assets using an estimated long-term rate of return.

Net periodic pension expense for qualified and nonqualified U.S. defined benefit plans comprised the following:

	2012		2011		2010	
<i>In millions</i>	U.S. Plans	Non- U.S. Plans	U.S. Plans	Non- U.S. Plans	U.S. Plans	Non- U.S. Plans
Service cost	\$ 152	\$ 3	\$ 121	\$ 2	\$ 116	\$ 3
Interest cost	604	12	544	12	541	12
Expected return on plan assets	(753)	(12)	(713)	(12)	(631)	(11)
Actuarial loss / (gain)	307	—	212	—	174	—
Amortization of prior service cost	32	—	31	—	31	—
Curtailment gain	—	—	—	—	—	(2)
Settlement gain	—	—	—	(1)	—	(2)
Net periodic pension expense	\$ 342	\$ 3	\$ 195	\$ 1	\$ 231	\$ —

The increase in 2012 pension expense reflects a decrease in the discount rate from 5.60% in 2011 to 5.10% in 2012, a lower expected return on assets assumption of 8.00% in 2012 compared with 8.25% in 2011 and the acquisition of Temple-Inland.

ASSUMPTIONS

International Paper evaluates its actuarial assumptions annually as of December 31 (the measurement date) and considers changes in these long-term factors based upon market conditions and the requirements for employers' accounting for pensions. These assumptions are used to calculate benefit obligations as of December 31 of the current year and pension expense to be recorded in the following year (i.e., the discount rate used to determine the benefit obligation as of December 31, 2012 was also the discount rate used to determine net pension expense for the 2013 year).

Major actuarial assumptions used in determining the benefit obligations and net periodic pension cost for our defined benefit plans are presented in the following table:

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	2012	2011	2010
	Non-	Non-	Non-

	U.S. Plans	U.S. Plans	U.S. Plans	U.S. Plans	U.S. Plans	U.S. Plans
Actuarial assumptions used to determine benefit obligations as of December 31:						
Discount rate	4.10%	4.96%	5.10%	5.98%	5.60%	6.01%
Rate of compensation increase	3.75%	3.17%	3.75%	3.12%	3.75%	3.07%
Actuarial assumptions used to determine net periodic pension cost for years ended December 31:						
Discount rate	5.10%	5.98%	5.60%	6.01%	5.80%	6.45%
Expected long-term rate of return on plan assets	8.00% (a)	7.62%	8.25%	7.79%	8.25%	8.20%
Rate of compensation increase	3.75%	3.12%	3.75%	3.07%	3.75%	4.06%

(a) Represents the expected rate of return for International Paper's qualified pension plan. The rate for the Temple-Inland Retirement Plan is 5.70%.

The expected long-term rate of return on plan assets is based on projected rates of return for current and planned asset classes in the plan's investment portfolio. Projected rates of return are developed through an asset/liability study in which projected returns for each of the plan's asset classes are determined after analyzing historical experience and future expectations of returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio is developed considering the effects of active portfolio management and expenses paid from plan assets. The discount rate assumption was determined from a universe of high quality corporate bonds. A settlement portfolio is selected and matched to the present value of the plan's projected benefit payments. To calculate pension expense for 2013, the Company will use an expected long-term rate of return on plan assets of 8.00% for the Retirement Plan of International Paper, an expected long-term rate of return on plan assets of 5.30% for the Temple-Inland Retirement Plan, a discount rate of 4.10% and an assumed rate of compensation increase of 3.75%. The Company estimates that it will record net pension expense of approximately \$561 million for its U.S. defined benefit plans in 2013, with the increase from expense of \$342 million in 2012 reflecting a decrease in the discount rate to 4.10% in 2013 from 5.10% in 2012, a lower return on asset assumption for Temple-Inland plan assets to 5.30% in 2013 from 5.70% in 2012, and higher amortization of unrecognized losses.

For non-U.S. pension plans, assumptions reflect economic assumptions applicable to each country.

The following illustrates the effect on pension expense for 2013 of a 25 basis point decrease in the above assumptions:

In millions	2013
Expense/(Income):	
Discount rate	\$ 39
Expected long-term rate of return on plan assets	24
Rate of compensation increase	(6)

PLAN ASSETS

International Paper's Board of Directors has appointed a Fiduciary Review Committee that is responsible for fiduciary oversight of the U.S. Pension Plan, approving investment policy and reviewing the management and control of plan assets. Pension Plan assets are invested to maximize returns within prudent levels of risk. The Pension Plan maintains a strategic asset allocation policy that designates target allocations by asset class. Investments are diversified across classes and within each class to minimize the risk of large losses. Derivatives, including swaps, forward and futures contracts, may be used as asset class substitutes or for hedging or other risk management purposes. Periodic reviews are made of investment policy objectives and investment manager performance. For non-U.S. plans, assets consist principally of common stock and fixed income securities.

International Paper's U.S. pension allocations by type of fund at December 31, and target allocations were as follows:

Asset Class	2012	2011	Target Allocations
Equity accounts	41%	43%	36% - 46%
Fixed income accounts	38%	34%	37% - 47%
Real estate accounts	10%	11%	6% - 12%
Other	11%	12%	8% - 15%
Total	100%	100%	

The 2012 actual and target allocations shown represent a weighted average of International Paper and Temple-Inland plan assets.

The fair values of International Paper's pension plan assets at December 31, 2012 and 2011 by asset class are shown below. Plan assets included an immaterial amount of International Paper common stock at December 31, 2012 and 2011. Hedge funds disclosed in the following table are allocated equally between equity and fixed income accounts for target allocation purposes. Cash and cash equivalent portfolios are allocated to the types of account from which they originated.

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Fair Value Measurement at December 31, 2012				
Asset Class	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
In millions				
Equities – domestic	\$ 2,171	\$ 1,241	\$ 927	3
Equities – international				

available on comparable securities of issuers with similar credit ratings or using a discounted cash flows approach that utilizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks. Common collective funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date.

Commodities consist of commodity-linked notes and commodity-

	1,513	1,145	368	—
Common collective funds – fixed income	180	—	180	—
Corporate bonds	1,539	—	1,539	—
Government securities	1,593	—	1,593	—
Mortgage backed securities	127	—	127	—
Other fixed income	75	—	67	8
Commodities	216	—	216	—
Hedge funds	492	—	—	492
Private equity	503	—	—	503
Real estate	1,037	—	—	1,037
Derivatives	354	—	—	354
Cash and cash equivalents	311	(15)	326	—
Total Investments	\$ 10,111	\$ 2,371	\$ 5,343	\$ 2,397

linked derivatives. Commodities are valued at closing prices determined by calculation agents for outstanding transactions.

Hedge funds are investment structures for managing private, loosely-regulated investment pools that can pursue a diverse array of investment strategies with a wide range of different securities and derivative instruments. These investments are made through funds-of-funds (commingled, multi-manager fund structures) and through direct investments in individual hedge funds. Hedge funds are primarily valued by each fund's third-party administrator based upon the valuation of the underlying securities and instruments and primarily by applying a market or income valuation methodology as appropriate depending on the specific type of security or instrument held. Funds-of-funds are valued based upon the net asset values of the underlying investments in hedge funds.

Private equity consists of interests in partnerships that invest in U.S. and non-U.S. debt and equity securities. Partnership interests are valued using the most recent general partner statement of fair value, updated for any subsequent partnership interest cash flows.

Real estate includes commercial properties, land and timberland, and generally includes, but is not limited to, retail, office, industrial, multifamily and hotel properties. Real estate fund values are primarily reported by the fund manager and are based on valuation of the underlying investments which include inputs such as cost, discounted cash flows, independent appraisals and market based comparable data.

Derivative investments such as futures, forward contracts, options, and swaps are used to help manage risks. Derivatives are generally employed as asset class substitutes (such as when employed within a portable alpha strategy), for managing asset/liability mismatches, or bona fide hedging or other appropriate risk management purposes. Derivative instruments are generally valued by the investment managers or in certain instances by third-party pricing sources.

Fair Value Measurement at December 31, 2011				
Asset Class	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>In millions</i>				
Equities – domestic	\$ 1,889	\$ 1,130	\$ 758	1
Equities – international	1,231	959	272	—
Common collective funds – fixed income	293	—	293	—
Corporate bonds	744	—	744	—
Government securities	983	—	983	—
Mortgage backed securities	124	—	124	—
Other fixed income	25	—	16	9
Commodities	213	—	213	—
Hedge funds	699	—	—	699
Private equity	473	—	—	473
Real estate	872	—	—	872
Derivatives	303	—	—	303
Cash and cash equivalents	336	2	334	—
Total Investments	\$ 8,185	\$ 2,091	\$ 3,737	\$ 2,357

Equity securities consist primarily of publicly traded U.S. companies and international companies. Publicly traded equities are valued at the closing prices reported in the active market in which the individual securities are traded.

Fixed income consists of government securities, mortgage-backed securities, corporate bonds and common collective funds. Government securities are valued by third-party pricing sources. Mortgage-backed security holdings consist primarily of agency-rated holdings. The fair value estimates for mortgage securities are calculated by third-party pricing sources chosen by the custodian's price matrix. Corporate bonds are valued using either the yields currently

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The fair value measurements using significant unobservable inputs (Level 3) at December 31, 2012 were as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Other

<i>In millions</i>		Equities- Domestic		Fixed Income		Hedge Funds		Private Equity		Real Estate		Derivatives		Total
Beginning balance at December 31, 2011	\$	1	\$	9	\$	699	\$	473	\$	872	\$	303	\$	2,357
Temple-Inland Acquisition		—		—		—		5		94		—		99
Actual return on plan assets:														
Relating to assets still held at the reporting date		2		1		10		28		70		54		165
Relating to assets sold during the period		—		—		31		(5)		5		80		111
Purchases, sales and settlements		—		—		(248)		2		(4)		(83)		(333)
Transfers in and/or out of Level 3		—		(2)		—		—		—		—		(2)
Ending balance at December 31, 2012	\$	3	\$	8	\$	492	\$	503	\$	1,037	\$	354	\$	2,397

FUNDING AND CASH FLOWS

The Company's funding policy for the Pension Plan is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that the Company may determine to be appropriate considering the funded status of the plans, tax deductibility, cash flow generated by the Company, and other factors. The Company continually reassesses the amount and timing of any discretionary contributions. Voluntary contributions totaling \$44 million, \$300 million and \$1.15 billion were made by the Company in 2012, 2011 and 2010, respectively. Generally, International Paper's non-U.S. pension plans are funded using the projected benefit as a target, except in certain countries where funding of benefit plans is not required.

At December 31, 2012, projected future pension benefit payments, excluding any termination benefits, were as follows:

<i>In millions</i>	
2013	\$ 736
2014	741
2015	752
2016	762
2017	774
2018 – 2022	4,090

OTHER U.S. PLANS

International Paper sponsors the International Paper Company Salaried Savings Plan and the International Paper Company Hourly Savings Plan, both of which are tax-qualified defined contribution 401(k) savings plans. Substantially all U.S. salaried and certain hourly

employees are eligible to participate and may make elective deferrals to such plans to save for retirement. International Paper makes matching contributions to participant accounts on a specified percentage of employee deferrals as determined by the provisions of each plan. For eligible employees hired after June 30, 2004, the Company makes Retirement Savings Account contributions equal to a percentage of an eligible employee's pay. From February 1, 2009 to December 31, 2010, matching contributions to the International Paper Salaried Savings Plan were made in Company stock. Beginning in January 2011, matching contributions to the International Paper Salaried Savings Plan were again made in the form of cash contributions.

In connection with the Temple-Inland acquisition, International Paper acquired two savings plans which were merged into the International Paper savings plans on December 31, 2012.

The Company also sponsors the International Paper Company Deferred Compensation Savings Plan, which is an unfunded nonqualified defined contribution plan. This plan permits eligible employees to continue to make deferrals and receive company matching contributions when their contributions to the International Paper Salaried Savings Plan are stopped due to limitations under U.S. tax law. Participant deferrals and company matching contributions are not invested in a separate trust, but are paid directly from International Paper's general assets at the time benefits become due and payable.

Company matching contributions to the plans totaled approximately \$122 million, \$83 million and \$87

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million for the plan years ending in 2012, 2011 and 2010, respectively.

NOTE 16 POSTRETIREMENT BENEFITS

U.S. POSTRETIREMENT BENEFITS

International Paper provides certain retiree health care and life insurance benefits covering certain U.S. salaried and hourly employees. These employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. Excluded from company-provided medical benefits are salaried employees whose age plus years of employment with the Company totaled less than 60 as of January 1, 2004. International Paper does not fund these benefits prior to payment and has the right to modify or terminate certain of these plans in the future.

	2012	2011
Discount rate	3.70%	4.80%
Health care cost trend rate assumed for next year	7.50%	8.00%
Rate that the cost trend rate gradually declines to	5.00%	5.00%
Year that the rate reaches the rate it is assumed to remain	2017	2017

A 1% increase in the assumed annual health care cost trend rate would have increased the accumulated postretirement benefit obligation at December 31, 2012 by approximately \$19 million. A 1% decrease in the annual trend rate would have decreased the accumulated postretirement benefit obligation at December 31, 2012 by approximately \$17 million. The effect on net postretirement benefit cost from a 1% increase or decrease would be approximately \$1 million.

The plan is only funded in an amount equal to benefits paid. The

The components of postretirement benefit expense in 2012, 2011 and 2010 were as follows:

<i>In millions</i>	2012	2011	2010
Service cost	\$ 3	\$ 2	\$ 2
Interest cost	20	21	23
Actuarial loss	10	9	12
Amortization of prior service credits	(30)	(25)	(31)
Curtailment gain	(7)	—	—
Net postretirement (benefit) expense	\$ (4)	\$ 7	\$ 6

International Paper evaluates its actuarial assumptions annually as of December 31 (the measurement date) and considers changes in these long-term factors based upon market conditions and the requirements of employers' accounting for postretirement benefits other than pensions. International Paper's postretirement plan was remeasured on January 31, 2012 due to a negative plan amendment which reduced our obligation by \$29 million and reduced the 2012 expected benefit cost by \$11 million. Temple-Inland's postretirement plan was also remeasured on July 31, 2012 due to a negative plan amendment which reduced the obligation by \$6 million and reduced 2012 expense by \$1 million.

The discount rates used to determine net cost for the years ended December 31, 2012, 2011 and 2010 were as follows:

	2012	2011	2010
Discount rate	4.40% (a)	5.30%	5.40%

(a) Represents the weighted average rate for the IP plan for 2012 due to the remeasurement. The weighted average rate used for Temple-Inland in 2012 was 4.19%.

The weighted average assumptions used to determine the benefit obligation at December 31, 2012 and 2011 were as follows:

following table presents the changes in benefit obligation and plan assets for 2012 and 2011:

<i>In millions</i>	2012	2011
Change in projected benefit obligation:		
Benefit obligation, January 1	\$ 425	\$ 425
Service cost	3	2
Interest cost	20	21
Participants' contributions	34	46
Actuarial (gain) loss	44	29
Acquisitions	108	—
Plan amendments	(63)	—
Benefits paid	(107)	(108)
Less: Federal subsidy	7	10
Restructuring	(17)	—
Curtailment	(5)	—
Benefit obligation, December 31	\$ 449	\$ 425
Change in plan assets:		
Fair value of plan assets, January 1	\$ 0	\$ 0
Company contributions	73	62
Participants' contributions	34	46
Benefits paid	(107)	(108)
Fair value of plan assets, December 31	\$ 0	\$ 0
Funded status, December 31	\$ (449)	\$ (425)
Amounts recognized in the consolidated balance sheet under ASC 715:		
Current liability	\$ (59)	\$ (43)
Non-current liability	(390)	(382)
	\$ (449)	\$ (425)
Amounts recognized in accumulated other comprehensive income under ASC 715 (pre-tax):		
Net actuarial loss	\$ 115	\$ 81
Prior service credit	(65)	(35)
	\$ 50	\$ 46

The non-current portion of the liability is included with the postemployment liability in the accompanying consolidated balance sheet under Postretirement and postemployment benefit obligation.

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The components of the \$4 million increase in the amounts recognized in OCI during 2012 consisted of:

<i>In millions</i>	
Curtailment	\$ 2
Current year actuarial loss	44
Amortization of actuarial loss	(10)
Current year prior service credit	(62)
Amortization of prior service credit	30
	\$ 4

The portion of the change in the funded status that was recognized in either net periodic benefit cost or OCI was \$0 million, \$47 million and \$5 million in 2012, 2011 and 2010, respectively.

The estimated amounts of net loss and prior service credit that will be amortized from OCI into net postretirement benefit cost in 2013 are expected to be \$12 million and \$(25) million, respectively.

At December 31, 2012, estimated total future postretirement

Committee of the Board of Directors (the Committee) that administers the ICP. Restricted stock units (RSU's) were also awarded to certain non-U.S. employees with 0 and 350 units outstanding at December 31, 2012 and 2011, respectively. Additionally, restricted stock, which may be deferred into RSU's, may be awarded under a Restricted Stock and Deferred Compensation Plan for Non-Employee Directors.

STOCK OPTION PROGRAM

International Paper accounts for stock options in accordance with guidance under ASC 718, "Compensation – Stock Compensation." Compensation expense is recorded over the related service period based on the grant-date fair market value. Since all outstanding options were vested as of July 14, 2005, only replacement option grants are expensed. No replacement options were granted in 2010 or 2011.

During each reporting period, diluted earnings per share is calculated by assuming that "in-the-money" options are exercised and the exercise proceeds are used to repurchase shares in the marketplace. When options are actually exercised, option proceeds are credited to equity and issued shares are included in

benefit payments, net of participant contributions and estimated future Medicare Part D subsidy receipts, were as follows:

<i>In millions</i>	Benefit Payments	Subsidy Receipts
2013	\$ 63	\$ 3
2014	49	3
2015	41	3
2016	39	3
2017	37	3
2018 – 2022	155	13

NON-U.S. POSTRETIREMENT BENEFITS

In addition to the U.S. plan, certain Brazilian and Moroccan employees are eligible for retiree health care and life insurance benefits. Net postretirement benefit cost for our non-U.S. plans was \$1 million for 2012, \$2 million for 2011 and \$1 million for 2010. The benefit obligation for these plans was \$22 million at December 31, 2012 and \$23 million at December 31, 2011.

NOTE 17 INCENTIVE PLANS

International Paper currently has an Incentive Compensation Plan (ICP) which, upon the approval by the Company's shareholders in May 2009, replaced the Company's Long-Term Incentive Compensation Plan (LTICP). The ICP authorizes grants of restricted stock, restricted or deferred stock units, performance awards payable in cash or stock upon the attainment of specified performance goals, dividend equivalents, stock options, stock appreciation rights, other stock-based awards, and cash-based awards at the discretion of the Management Development and Compensation

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The following summarizes the status of the Stock Option Program and the changes during the three years ending December 31, 2012:

	Options (a,b)	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value (thousands)
Outstanding at December 31, 2009	22,217,057	\$39.24	2.73	\$—
Forfeited	(43,068)	34.36		
Expired	(3,928,736)	46.29		
Outstanding at December 31, 2010	18,245,253	37.73	2.30	—
Exercised	(1,850)	32.54		
Forfeited	(21,070)	35.21		
Expired	(2,665,547)	35.45		
Outstanding at December 31, 2011	15,556,786	38.13	1.55	—
Granted	2,513	35.94		
Exercised	(3,200,642)	33.62		
Expired	(3,222,597)	40.71		
Outstanding at December 31, 2012	9,136,060	\$38.79	1.15	\$1,077

(a) The table does not include Continuity Award tandem stock options described below. No fair market value is assigned to these options under ASC 718. The tandem restricted shares accompanying these options are expensed over their vesting period.

(b) The table includes options outstanding under an acquired company plan under which options may no longer be granted.

PERFORMANCE SHARE PLAN

the computation of earnings per common share, with no effect on reported earnings. Equity is also increased by the tax benefit that International Paper will receive in its tax return for income reported by the employees in their individual tax returns.

Under the program, upon exercise of an option, a replacement option may be granted under certain circumstances with an exercise price equal to the market price at the time of exercise and with a term extending to the expiration date of the original option.

The Company has discontinued the issuance of stock options for all eligible U.S. and non-U.S. employees. In the United States, the stock option program was replaced with a performance-based restricted share program to more closely tie long-term incentive compensation to Company performance on two key performance drivers: return on investment (ROI) and total shareholder return (TSR).

yield on U.S. Treasury securities matching the vesting period, and the volatility is based on the Company's historical volatility over the expected term.

Beginning with the 2011 PSP, grants are made in performance-based restricted stock units (PSU's). The PSP will continue to be paid in unrestricted shares of Company stock.

PSP awards issued to certain members of senior management are accounted for as liability awards, which are remeasured at fair value at each balance sheet date. The valuation of these PSP liability awards is computed based on the same methodology as the PSP equity awards.

The following table sets forth the assumptions used to determine compensation cost for the market condition component of the PSP plan:

	Twelve Months Ended December 31, 2012
Expected volatility	25.25% - 55.33%
Risk-free interest rate	0.12% - 0.42%

The following summarizes PSP activity for the three years ending December 31, 2012:

	Shares/ Units	Weighted Average Grant Date Fair Value
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Under the Performance Share Plan (PSP), contingent awards of International Paper common stock are granted by the Committee. The PSP awards are earned over a three-year period. For the 2010 and 2011 grants, one-fourth of the award is earned during each twelve-month period, with the final one-fourth segment earned over the full three-year period. Beginning with the 2012 grant, the award is earned evenly over a thirty-six-month period. PSP awards are earned based on the achievement of defined performance rankings of ROI and TSR compared to ROI and TSR peer groups of companies. Awards are weighted 75% for ROI and 25% for TSR for all participants except for officers for whom the awards are weighted 50% for ROI and 50% for TSR. The ROI component of the PSP awards is valued at the closing stock price on the day prior to the grant date. As the ROI component contains a performance condition, compensation expense, net of estimated forfeitures, is recorded over the requisite service period based on the most probable number of awards expected to vest. The TSR component of the PSP awards is valued using a Monte Carlo simulation as the TSR component contains a market condition. The Monte Carlo simulation estimates the fair value of the TSR component based on the expected term of the award, a risk-free rate, expected dividends, and the expected volatility for the Company and its competitors. The expected term is estimated based on the vesting period of the awards, the risk-free rate is based on the

Outstanding at December 31, 2009	6,066,050	\$24.28
Granted	3,842,626	28.93
Shares issued	(2,807,368)	33.25
Forfeited	(288,694)	21.83
Outstanding at December 31, 2010	6,812,594	23.31
Granted	4,314,376	28.04
Shares issued	(2,565,971)	32.43
Forfeited	(500,940)	25.07
Outstanding at December 31, 2011	8,060,059	22.83
Granted	3,641,911	31.57
Shares issued (a)	(2,871,367)	16.83
Forfeited	(169,748)	28.89
Outstanding at December 31, 2012	8,660,855	\$28.37

(a) Includes 72,798 shares/units related to retirements or terminations that are held for payout until the end of the performance period.

EXECUTIVE CONTINUITY AND RESTRICTED STOCK AWARD PROGRAMS

The Executive Continuity Award program provides for the granting of tandem awards of restricted stock and/or nonqualified stock options to key executives. Grants are restricted and awards conditioned on attainment of a specified age. The awarding of a tandem stock option results in the cancellation of the related restricted shares.

The service-based Restricted Stock Award program (RSA), designed for recruitment, retention and special

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recognition purposes, also provides for awards of restricted stock to key employees.

The following summarizes the activity of the Executive Continuity Award program and RSA program for the three years ending December 31, 2012:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2009	83,000	\$33.93
Granted	177,000	25.63
Shares issued	(92,500)	30.69
Outstanding at December 31, 2010	167,500	26.95
Granted	21,500	27.01
Shares issued	(55,083)	24.84
Forfeited	(5,000)	26.78
Outstanding at December 31, 2011	128,917	27.86
Granted	88,715	31.91
Shares issued	(61,083)	27.13
Forfeited	(5,000)	28.91
Outstanding at December 31, 2012	151,549	\$30.49

At December 31, 2012, 2011 and 2010 a total of 19.3 million, 18.6 million and 18.8 million shares, respectively, were available for grant under the ICP.

Stock-based compensation expense and related income tax benefits were as follows:

In millions	2012	2011	2010
Total stock-based compensation expense			

For management purposes, International Paper reports the operating performance of each business based on earnings before interest and income taxes (EBIT). Intersegment sales and transfers are recorded at current market prices.

External sales by major product is determined by aggregating sales from each segment based on similar products or services. External sales are defined as those that are made to parties outside International Paper's consolidated group, whereas sales by segment in the Net Sales table are determined using a management approach and include intersegment sales.

The Company also holds a 50% interest in Ilim that is a separate reportable industry segment. The Company recorded equity earnings, net of taxes, of \$56 million, \$134 million and \$102 million in 2012, 2011, and 2010, respectively, for Ilim.

INFORMATION BY INDUSTRY SEGMENT

Net Sales

In millions	2012	2011	2010
Industrial Packaging	\$ 13,280	\$ 10,430	\$ 9,840
Printing Papers	6,230	6,215	5,940
Consumer Packaging	3,170	3,710	3,400
Distribution	6,040	6,630	6,735
Forest Products	—	—	220
Corporate and Intersegment Sales	(887)	(951)	(956)
Net Sales	\$ 27,833	\$ 26,034	\$ 25,179

Operating Profit

In millions	2012	2011	2010
Industrial Packaging	\$ 1,066	\$ 1,147	\$ 826

(included in selling and administrative expense)	\$	116	\$	84	\$	73
Income tax benefits related to stock-based compensation		48		34		29

At December 31, 2012, \$105 million of compensation cost, net of estimated forfeitures, related to unvested restricted performance shares, executive continuity awards and restricted stock attributable to future performance had not yet been recognized. This amount will be recognized in expense over a weighted-average period of 1.7 years.

NOTE 18 FINANCIAL INFORMATION BY INDUSTRY SEGMENT AND GEOGRAPHIC AREA

International Paper's industry segments, Industrial Packaging, Printing Papers, Consumer Packaging and Distribution Businesses, are consistent with the internal structure used to manage these businesses. Beginning on January 1, 2011, the Forest Products Business is no longer being reported by the Company as a separate industry segment due to the immateriality of the results of the remaining business on the Company's consolidated financial statements. All segments are differentiated on a common product, common customer basis consistent with the business segmentation generally used in the Forest Products industry.

Printing Papers	599	872	481
Consumer Packaging	268	163	207
Distribution	22	34	78
Forest Products	—	—	94
Operating Profit	1,955	2,216	1,686
Interest expense, net	(672)	(541)	(608)
Noncontrolling interests / equity earnings adjustment (a)	—	10	15
Corporate items, net	(51)	(102)	(142)
Restructuring and other charges	(51)	(82)	(70)
Net gains (losses) on sales and impairments of businesses	2	—	25
Non-operating pension expense	(159)	(43)	(84)
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	\$ 1,024	\$ 1,458	\$ 822

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Restructuring and Other Charges

In millions	2012	2011	2010
Industrial Packaging	\$ 14	\$ 20	\$ 19
Printing Papers	—	(24)	315
Consumer Packaging	—	2	8
Distribution	44	49	—
Corporate	51	55	52
Restructuring and Other Charges	\$ 109	\$ 102	\$ 394

Assets

In millions	2012	2011
Industrial Packaging	\$ 13,353	\$ 9,433
Printing Papers	7,198	7,311
Consumer Packaging	3,123	3,086
Distribution	1,639	1,718
Corporate and other (b)	6,840	5,470
Assets	\$ 32,153	\$ 27,018

Capital Spending

In millions	2012	2011	2010
Industrial Packaging	\$ 565	\$ 426	\$ 301
Printing Papers	449	364	283
Consumer Packaging	296	310	159
Distribution	10	8	5
Forest Products	—	—	3
Subtotal	1,320	1,108	751
Corporate and other	63	51	24

INFORMATION BY GEOGRAPHIC AREA

Net Sales (d)

In millions	2012	2011	2010
United States (e)	\$ 21,523	\$ 19,434	\$ 19,501
Europe	2,935	3,183	2,839
Pacific Rim and Asia	1,816	1,807	1,377
Americas, other than U.S.	1,559	1,610	1,462
Net Sales	\$ 27,833	\$ 26,034	\$ 25,179

Long-Lived Assets (f)

In millions	2012	2011
United States	\$ 10,484	\$ 8,536
Europe	1,022	936
Pacific Rim and Asia	982	855
Americas, other than U.S.	1,773	1,871
Corporate	310	279
Long-Lived Assets	\$ 14,571	\$ 12,477

- (a) Operating profits for industry segments include each segment's percentage share of the profits of subsidiaries included in that segment that are less than wholly-owned. The pre-tax noncontrolling interests and equity earnings for these subsidiaries is added here to present consolidated earnings from continuing operations before income taxes and equity earnings.
- (b) Includes corporate assets and assets of businesses held for sale.
- (c) Excludes accelerated depreciation related to closure of mills.
- (d) Net sales are attributed to countries based on the location of the seller.
- (e) Export sales to unaffiliated customers were \$2.2 billion in 2012, \$2.1 billion in 2011 and \$1.8 billion in 2010.
- (f) Long-Lived Assets includes Forestlands and Plants, Properties and Equipment, net.

Total from Continuing Operations	\$	1,383	\$	1,159	\$	775
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Depreciation, Amortization and Cost of Timber Harvested (c)

<i>In millions</i>	2012	2011	2010
Industrial Packaging	\$ 755	\$ 513	\$ 597
Printing Papers	450	486	479
Consumer Packaging	196	217	228
Distribution	13	14	13
Forest Products	—	—	5
Corporate	72	102	134
Depreciation and Amortization	\$ 1,486	\$ 1,332	\$ 1,456

External Sales By Major Product

<i>In millions</i>	2012	2011	2010
Industrial Packaging	\$ 13,223	\$ 10,376	\$ 9,812
Printing Papers	5,483	5,510	5,220
Consumer Packaging	3,146	3,577	3,241
Distribution	5,981	6,571	6,683
Forest Products	—	—	223
Net Sales	\$ 27,833	\$ 26,034	\$ 25,179

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<i>In millions, except per share amounts and stock prices</i>	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
2012					
Net sales	\$ 6,655	\$ 7,077	\$ 7,026	\$ 7,075	\$ 27,833
Gross margin (a)	1,671	1,807	1,886	1,882	7,246
Earnings (loss) from continuing operations before income taxes and equity earnings	213 (b)	204 (c)	320 (d)	287 (e)	1,024 (b-e)
Gain from discontinued operations	5	16	14	10	45
Net earnings (loss) attributable to International Paper Company	188 (b)	134 (c)	237 (d)	235 (e,f)	794 (b-f)
Basic earnings (loss) per share attributable to International Paper Company common shareholders:					
Earnings (loss) from continuing operations	\$ 0.42 (b)	\$ 0.27 (c)	\$ 0.51 (d)	\$ 0.52 (e)	\$ 1.72 (b-e)
Gain from discontinued operations	0.01	0.04	0.03	0.02	0.10
Net earnings (loss)	0.43 (b)	0.31 (c)	0.54 (d)	0.54 (e,f)	1.82 (b-f)
Diluted earnings (loss) per share attributable to International Paper Company common shareholders:					
Earnings (loss) from continuing operations	0.42 (b)	0.27 (c)	0.51 (d)	0.51 (e)	1.70 (b-e)
Gain from discontinued operations	0.01	0.04	0.03	0.02	0.10
Net earnings (loss)	0.43 (b)	0.31 (c)	0.54 (d)	0.53 (e,f)	1.80 (b-f)
Dividends per share of common stock	0.2625	0.2625	0.2625	0.3000	1.0875
Common stock prices					
High	\$ 36.50	\$ 35.59	\$ 37.25	\$ 39.88	\$ 39.88
Low	29.45	27.29	28.29	32.95	27.29
2011					
Net sales	\$ 6,387	\$ 6,648	\$ 6,632	\$ 6,367	\$ 26,034
Gross margin (a)	1,762	1,768	1,839	1,705	7,074

Earnings (loss) from continuing operations before income taxes and equity earnings	368 (g)	293 (j)	381 (k)	416 (m)	1,458 (g,j,k,m)
Gain from discontinued operations	49 (h)	—	—	—	49 (h)
Net earnings (loss) attributable to International Paper Company	354 (g-i)	219 (j)	468 (k,l)	281 (m,n)	1,322 (g-n)
Basic earnings (loss) per share attributable to International Paper Company common shareholders:					
Earnings (loss) from continuing operations	\$ 0.71 (g,i)	\$ 0.51 (j)	\$ 1.08 (k,l)	\$ 0.65 (m,n)	\$ 2.95 (g,i,j,k,l,m,n)
Gain from discontinued operations	0.11 (h)	—	—	—	0.11 (h)
Net earnings (loss)	0.82 (g-i)	0.51 (j)	1.08 (k,l)	0.65 (m,n)	3.06 (g-n)
Diluted earnings (loss) per share attributable to International Paper Company common shareholders:					
Earnings (loss) from continuing operations	0.70 (g,i)	0.51 (j)	1.08 (k,l)	0.65 (m,n)	2.92 (g,i,j,k,l,m,n)
Gain from discontinued operations	0.11 (h)	—	—	—	0.11 (h)
Net earnings (loss)	0.81 (g-i)	0.51 (j)	1.08 (k,l)	0.65 (m,n)	3.03 (g-n)
Dividends per share of common stock	0.1875	0.2625	0.2625	0.2625	0.9750
Common stock prices					
High	\$ 30.44	\$ 33.01	\$ 31.57	\$ 29.85	\$ 33.01
Low	24.88	26.25	22.90	21.55	21.55

Note: Since basic and diluted earnings per share are computed independently for each period and category, full year per share amounts may not equal the sum of the four quarters.

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Footnotes to Interim Financial Results

- (a) Gross margin represents net sales less cost of products sold, excluding depreciation, amortization and cost of timber harvested.
- (b) Includes a pre-tax charge of \$20 million (\$12 million after taxes) related to the write-up of the Temple-Inland inventories to fair value, a pre-tax charge of \$21 million (\$16 million after taxes) for an inventory write-off, severance and other charges related to the restructuring of the Company's xpedx operations, a pre-tax charge of \$43 million (\$33 million after taxes) for integration costs associated with the acquisition of Temple-Inland, a pre-tax charge of \$16 million (\$10 million after taxes) for early debt extinguishment costs, a pre-tax gain of \$7 million (\$6 million after taxes) for adjustments related to the sale of the Shorewood business, and a gain of \$1 million (before and after taxes) for other items.
- (c) Includes a pre-tax charge of \$12 million (\$8 million after taxes) for an inventory write-off, severance and other charges related to the restructuring of the Company's xpedx operations, a pre-tax charge of \$35 million (\$22 million after taxes) for integration costs associated with the acquisition of Temple-Inland, a pre-tax charge of \$10 million (\$6 million after taxes) for debt extinguishment costs, a pre-tax charge of \$62 million (\$38 million after taxes) to adjust the long-lived assets of the Hueneme mill in Oxnard, California to their fair value in anticipation of its divestiture, a pre-tax charge of \$9 million (\$5 million after taxes) for costs associated with the third-quarter 2012 divestiture of the Hueneme mill and two other containerboard mills, a pre-tax charge of \$6 million (\$4 million after taxes) for an adjustment related to the sale of Shorewood, and charges of \$2 million (before and after taxes) for other items.

divestitures and a pre-tax gain of \$5 million (\$0 million after taxes) for other items.

- (e) Includes a pre-tax charge of \$28 million (\$19 million after taxes) for integration costs associated with the acquisition of Temple-Inland, a pre-tax charge of \$9 million (\$6 million after taxes) for debt extinguishment costs, a pre-tax charge of \$7 million (\$4 million after taxes) for costs associated with the restructuring of our xpedx operations, a gain of \$2 million (before and after taxes) for proceeds associated with the 2010 sale of the Arizona Chemical business, a gain of \$2 million (before and after taxes) for adjustments related to the sale of the Company's Shorewood operations, a charge of \$1 million (before and after taxes) for costs associated with the containerboard mill divestitures, and pre-tax charges of \$5 million (\$4 million after taxes) for other items.
- (f) Includes a net expense of \$14 million related to internal restructurings and a \$5 million expense to adjust deferred tax assets related to post-retirement prescription drug coverage (Medicare Part D reimbursements).
- (g) Includes a pre-tax charge of \$32 million (\$19 million after taxes) for early debt extinguishment costs, a pre-tax charge of \$7 million (\$4 million after taxes) for costs associated with the restructuring of the Company's xpedx operations, and a charge of \$8 million (before and after taxes) for asset impairment costs associated with the Inverurie, Scotland mill which was closed in 2009.
- (h) Includes a pre-tax gain of \$50 million (\$30 million after taxes) for an earnout provision related to the sale of the Company's Kraft Papers business completed in January 2007. Also, the Company sold its Brazilian Coated Paper business in the third quarter 2006. Local country tax contingency reserves were included in the business'

- (d) Includes a pre-tax charge of \$9 million (\$5 million after taxes) for an inventory write-off, severance and other charges related to the restructuring of the Company's xpedx operations, a pre-tax charge of \$58 million (\$34 million after taxes) for integration costs associated with the acquisition of Temple-Inland, a pre-tax charge of \$13 million (\$8 million after taxes) for debt extinguishment costs, a pre-tax charge of \$16 million (\$11 million after taxes) for costs associated with the restructuring of the Company's Packaging business in Europe, a pre-tax charge of \$19 million (\$49 million after taxes) for costs associated with the containerboard mill

operating results in 2005 and 2006 for which the related statute of limitations has expired. The reserves were reversed and a tax benefit of \$15 million plus associated interest income of \$6 million (\$4 million after taxes) was recorded.

- (i) Includes a gain of \$7 million (before and after taxes) related to a bargain price adjustment on an acquisition by our joint venture in Turkey.
- (j) Includes a pre-tax charge of \$27 million (\$17 million after taxes) for an environmental reserve related to the Company's property in Cass Lake, Minnesota, a pre-tax gain of \$21 million

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(\$13 million after taxes) related to the reversal of environmental reserves due to the announced repurposing of a portion of the Franklin mill, a pre-tax charge of \$10 million (\$6 million after taxes) for costs associated with the restructuring of the Company's xpedx operations, and a pre-tax charge of \$129 million (\$104 million after taxes) for a fixed-asset impairment of the North American Shorewood business.

- (k) Includes a pre-tax charge of \$16 million (\$10 million after taxes) for costs associated with the acquisition of a majority share of Andhra Pradesh Paper Mills Limited in India, a pre-tax charge of \$18 million (\$13 million after taxes) for costs associated with the restructuring of the Company's xpedx operations, a pre-tax charge of \$8 million (\$5 million after taxes) for costs associated with signing an agreement to acquire Temple-Inland, a pre-tax charge of \$6 million (\$4 million after taxes) for costs associated with the sale of the Company's Shorewood operations, and a pre-tax charge of \$82 million (a gain of \$140 million after taxes) to reduce the carrying value of the Shorewood business based on the terms of the definitive agreement to sell this business.
- (l) Includes a tax benefit of \$222 million related to the reduction of the carrying value of the Shorewood business and the write-off of a deferred tax liability associated with Shorewood, and noncontrolling interest income of \$8 million (before and after taxes) associated with the fixed asset impairment of Shorewood Mexico.
- (m) Includes a pre-tax charge of \$17 million (\$13 million after taxes) for an inventory write-off, severance and other costs associated with the restructuring of the Company's xpedx operations, a pre-tax charge of \$12 million (\$7 million after taxes) for costs associated with the signing of an agreement to acquire Temple-Inland, a pre-tax gain of \$4 million (\$3 million after taxes) for an adjustment to the previously recorded loss to reduce the carrying value of the Company's Shorewood business, a charge of \$3 million (before and after taxes) for asset impairment charges at our Inverurie, Scotland mill which was closed in 2009, and a gain of \$6 million (before and after taxes) for interest associated with a tax claim.

- (n) Includes a \$24 million expense related to internal restructurings, a \$9 million expense for costs associated with our acquisition of a majority interest in Andhra Pradesh Paper Mills Limited, a \$13 million tax benefit related to the release of a deferred tax asset valuation allowance, and a \$2 million expense for other items.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL

- provide reasonable assurance that transactions are recorded as necessary to allow for the preparation of

DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES**EVALUATION OF CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. As of December 31, 2012, an evaluation was carried out under the supervision and with the participation of the Company's management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures, as defined by Rule 13a-15 under the Exchange Act. Based upon this evaluation, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2012.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States (GAAP). Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors;

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements; and
- provide reasonable assurance as to the detection of fraud.

All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore can provide only reasonable assurance of achieving the designed control objectives. The Company's internal control system is supported by written policies and procedures, contains self-monitoring mechanisms, and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified.

As of December 31, 2012, management has assessed the effectiveness of the Company's internal control over financial reporting. In a report included on pages 43 and 44, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2012.

In making this assessment, we used the criteria described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our independent registered public accounting firm, Deloitte & Touche LLP, with direct access to our Board of Directors through our Audit and Finance Committee, has audited the consolidated financial statements prepared by us. Their report on the consolidated financial statements is included in Part II, Item 8 of this Annual Report under the heading "Financial Statements and Supplementary Data". Deloitte & Touche LLP has issued an attestation report on our internal control over financial reporting.

Table of Contents**MANAGEMENT'S PROCESS TO ASSESS THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING**

To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we followed a comprehensive compliance process across the enterprise to evaluate our internal control over financial reporting, engaging employees at all levels of the organization. Our internal control environment includes an enterprise-wide attitude of integrity and control consciousness that establishes a positive "tone at the top." This is exemplified by our ethics program that includes long-standing principles and policies on ethical business conduct that require employees to maintain the highest ethical and legal standards in the conduct of our business, which have been distributed to all employees; a toll-free telephone helpline whereby any employee may report suspected violations of law or our policy; and an office of ethics and business practice. The internal control system further includes careful selection and training of supervisory and management personnel, appropriate delegation of authority and division of responsibility, dissemination of accounting and business policies throughout the Company, and an extensive program of internal audits with

PART III.**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information concerning our directors is hereby incorporated by reference to our definitive proxy statement that will be filed with the Securities and Exchange Commission (SEC) within 120 days of the close of our fiscal year. The Audit and Finance Committee of the Board of Directors has at least one member who is a financial expert, as that term is defined in Item 401(d)(5) of Regulation S-K. Further information concerning the composition of the Audit and Finance Committee and our audit committee financial experts is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year. Information with respect to our executive officers is set forth on pages 6 and 7 in Part I of this Form 10-K under the caption, "Executive Officers of the Registrant."

Executive officers of International Paper are elected to hold office until the next annual meeting of the Board of Directors following

management follow-up. Our Board of Directors, assisted by the Audit and Finance Committee, monitors the integrity of our financial statements and financial reporting procedures, the performance of our internal audit function and independent auditors, and other matters set forth in its charter. The Committee, which currently consists of four independent directors, meets regularly with representatives of management, and with the independent auditors and the Internal Auditor, with and without management representatives in attendance, to review their activities.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company completed the acquisition of Temple-Inland in February 2012. Due to the timing of the acquisition we have excluded Temple-Inland from our evaluation of the effectiveness of internal control over financial reporting. For the period ended December 31, 2012, Temple-Inland net sales and assets represented approximately 19% of net sales and 25% of total assets.

ITEM 9B. OTHER INFORMATION

None.

the annual meeting of shareholders and, until the election of successors, subject to removal by the Board.

The Company's Code of Business Ethics (Code) is applicable to all employees of the Company, including the chief executive officer and senior financial officers, as well as the Board of Directors. We disclose any amendments to our Code and any waivers from a provision of our Code granted to our directors, chief executive officer and senior financial officers on our Internet Web site within four business days following such amendment or waiver. To date, no waivers of the Code have been granted.

We make available free of charge on our Internet Web site at www.internationalpaper.com, and in print to any shareholder who requests them, our Corporate Governance Principles, our Code of Business Ethics and the Charters of our Audit and Finance Committee, Management Development and Compensation Committee, Governance Committee and Public Policy and Environment Committee. Requests for copies may be directed to the corporate secretary at our corporate headquarters.

Information with respect to compliance with Section 16(a) of the Securities and Exchange Act and our corporate governance is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

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ITEM 11. EXECUTIVE COMPENSATION

Information with respect to the compensation of executives and directors of the Company is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

A description of the security ownership of certain beneficial owners and management and equity compensation plan information is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

A description of certain relationships and related transactions is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to fees paid to, and services rendered by, our principal accountant, and our policies and procedures for pre-approving those services, is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(3.1) Restated Certificate of Incorporation of International Paper Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 16, 2008).

(3.2) By-laws of International Paper Company, as amended through May 10, 2010 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 14, 2010).

(4.1) Indenture, dated as of April 12, 1999, between International Paper and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 29, 2000).

(4.2) Supplemental Indenture (including the form of Notes), dated as of June 4, 2008, between International Paper Company and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 4, 2008).

(4.3) Supplemental Indenture (including the form of Notes), dated as of May 11, 2009, between International Paper Company and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 11, 2009).

(4.4) Supplemental Indenture (including the form of Notes), dated as of August 10, 2009, between International Paper Company and The Bank of New York Mellon,

- (1) Financial Statements – See Item 8. Financial Statements and Supplementary Data.
- (2) Financial Statement Schedules – The following additional financial data should be read in conjunction with the consolidated financial statements in Item 8. Schedules not included with this additional financial data have been omitted because they are not applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 10, 2009).

- (4.5) Supplemental Indenture (including the form of Notes), dated as of December 7, 2009, between International Paper Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 7, 2009).

Additional Financial Data **2012, 2011 and 2010**

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- (4.6) Supplemental Indenture (including the form of Notes), dated as of November 16, 2011, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 16, 2011).

- (4.7) In accordance with Item 601 (b) (4) (iii) (A) of Regulation S-K, certain instruments respecting long-term debt of the Company have been omitted but will be furnished to the Commission upon request.

- (10.1) 2009 Incentive Compensation Plan (the "LTICP") (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 12, 2009). +

- (10.2) 2012 Management Incentive Plan, amended and restated as of January 1, 2012 (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012). +

- (10.3) 2013 Management Incentive Plan, amended and restated as of January 1, 2013. * +

- (10.4) 2009 Executive Management Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated May 12, 2009). +

- (10.5) 2012 Exhibits to the 2009 Executive Management Incentive Plan (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011). +

- (10.6) 2013 Exhibits to the 2009 Executive Management

- (10.8) Form of individual non-qualified stock option award agreement under the LTICP (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001). +

- (10.9) Form of individual executive continuity award under the LTICP (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999). +

- (10.10) Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). +

- (10.11) Form of Restricted Stock Unit Award Agreement (cash settled) (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). +

- (10.12) Form of Restricted Stock Unit Award Agreement (stock settled) (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). +

- (10.13) Form of Performance Share Plan award certificate (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011). +

- (10.14) Pension Restoration Plan for Salaried Employees (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). +

Incentive Plan.*+

- (10.7) Restricted Stock and Deferred Compensation Plan for Non-Employee Directors, Amended and Restated as of May 10, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010). +
- (10.15) Unfunded Supplemental Retirement Plan for Senior Managers, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007). +
- (10.16) Amendment No. 1 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 13, 2008 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 17, 2008). +
- (10.17) Amendment No. 2 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 14, 2008 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated October 17, 2008). +
- (10.18) Amendment No. 3 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective December 8, 2008 (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). +
- (10.19) Amendment No. 4 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009). +
- (10.20) Amendment No. 5 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 31, 2009 (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). +
- (10.21) Amendment No. 6 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective January 1, 2012 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011). +
- (10.23) Form of Non-Solicitation Agreement, entered into by certain Company employees (including named executive officers) who have received restricted stock (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006). +
- (10.24) Form of Change of Control Agreement—Tier I, approved July 2010 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010). +
- (10.25) Form of Indemnification Agreement for Directors (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003). +
- (10.26) Board Policy on Severance Agreements with Senior Executives (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 17, 2005). +
- (10.27) Board Policy on Change of Control Agreements (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 17, 2005). +
- (10.28) Amended and Restated Time Sharing Agreement, dated May 31, 2012, by and between John V. Faraci and International Paper Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012). +
- (10.29) Letter of Understanding between International Paper Company and Maximo Pacheco dated December 10, 2009 (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011). +

(10.22) Form of Non-Competition Agreement, entered into by certain Company employees (including named executive officers) who have received restricted stock (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). +

(10.30) Five-Year Credit Agreement dated as of August 26, 2011, among International Paper Company, JPMorgan Chase Bank, N.A., individually and as administrative agent, and certain lenders (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated August 26, 2011).

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(10.31) Second Amended and Restated Credit and Security Agreement, dated as of March 13, 2008, among Red Bird Receivables, LLC, as Borrower, International Paper Company, as Servicer, the Conduits and Liquidity Banks from time to time a party thereto, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, as Gotham Agent, JPMorgan Chase Bank, N.A., as PARCO Agent, BNP Paribas, acting through its New York Branch, as Starbird Agent, Citicorp North America, Inc., as CAFCO Agent and as Administrative Agent. Certain confidential portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008).

(10.32) Amendment No. 1, dated as of January 23, 2009, to the Second Amended and Restated Credit and Security Agreement dated as of March 13, 2008. Certain confidential portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).

(10.33) Omnibus Amendment No. 1 dated June 26, 2009, comprised of Amendment No. 2 to Second Amended and Restated Credit and Security Agreement dated as of March 13, 2008, by and among Red Bird Receivables, LLC, as Borrower, International Paper Company, as Servicer, the Conduits and Liquidity Banks from time to time parties thereto, and the Agents parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).

(10.34) Amendment No. 3, dated as of January 13, 2010, to the Second Amended and Restated Credit and Security Agreement dated as of March 13, 2008, by and among Red Bird Receivables, LLC, as Borrower, International Paper Company as Servicer, the Conduits and Liquidity Banks from time to time parties thereto, and the agents' parties thereto. Certain confidential portions have been omitted and

(10.35) Amendment No. 4, dated as of January 12, 2011, to the Second Amended and Restated Credit and Security Agreement dated as of March 13, 2008, by and among Red Bird Receivables, LLC, as borrower, International Paper Company as services, the conduits and Liquidity Banks from time to time parties thereto, and the agents' parties thereto. Certain confidential portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).

(10.36) Amendment No. 5, dated as of January 11 2012, to the Second Amended and Restated Credit and Security Agreement dated as of March 13, 2008, by and among Red Bird Receivables, LLC, as borrower, International Paper Company as services, the conduits and Liquidity Banks from time to time parties thereto, and the agents' parties thereto (incorporated by reference to Exhibit 10.1 to Amendment No. 1 on form 10-Q/A (filed August 14, 2012) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012). Certain confidential portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(10.37) Amendment No. 6, dated as of June 12, 2012, to the Second Amended and Restated Credit and Security Agreement dated as of March 13, 2008, by and among Red Bird Receivables, LLC, as borrower, International Paper Company as services, the conduits and Liquidity Banks from time to time parties thereto, and the agents' parties thereto.*

(10.38) Receivables Sale and Contribution Agreement, dated as of March 13, 2008, between International Paper Company and Red Bird Receivables, LLC (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008).

(10.39) Amendment No. 1, dated August 29, 2008, to the Receivables Sale and Contribution Agreement dated

filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010).

as of March 13, 2008, between International Paper Company and Red Bird Receivables, LLC (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008).

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- (10.40) Amendment No. 2, dated January 23, 2009, to the Receivables Sale and Contribution Agreement dated as of March 13, 2008, between International Paper Company and Red Bird Receivables, LLC (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- (10.41) Amendment No. 3, dated January 11, 2012, to the Receivables Sale and Contribution Agreement dated as of March 13, 2008, between International Paper Company and Red Bird Receivables, LLC (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
- (10.42) IP Debt Security, dated December 7, 2006, issued by International Paper Company to Basswood Forests LLC (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 13, 2006).
- (10.43) IP Hickory Note, dated December 7, 2006, issued by International Paper Company to Hickory Forests LLC (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated December 13, 2006).
- (10.44) Credit Agreement, dated as of February 13, 2012, by and among the Company, UBS AG, Stamford Branch, as administrative agent; BNP Paribas Securities Corp., as syndication agent; Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and The Royal Bank of Scotland PLC, as co-documentation agents; UBS Securities LLC, BNP Paribas Securities Corp., CoBank, ACB, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and RBS Securities Inc., as joint lead arrangers; and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 13, 2012).
- (10.45) Loan Agreement dated December 3, 2007, by and among TIN Land Financing, LLC, Citibank, N.A., Citicorp North America, Inc., as Agent, and the other Lenders named therein (incorporated by reference to Exhibit 10.1 to Temple-Inland's Current Report on Form 8-K filed with the Commission on December 4, 2007).
- (10.46) Amendment No. 1 dated August 11, 2011 to Loan Agreement dated December 3, 2007, by and among TIN Land Financing, LLC, Citibank, N.A., Citicorp North America, Inc., as Agent, and the other Lenders named therein (incorporated by reference to Exhibit 10.1 to Temple-Inland's Quarterly Report on Form 10-Q for the quarter ended October 1, 2011, and filed with the Commission on November 7, 2011).
- (10.47) Loan Agreement dated December 3, 2007, by and among TIN Timber Financing, LLC, Citibank, N.A., Citicorp North America, Inc., as Agent, and the other Lenders named therein (incorporated by reference to Exhibit 10.2 to Temple-Inland's Current Report on Form 8-K filed with the Commission on December 4, 2007).
- (10.48) Amendment No. 1 dated August 11, 2011 to Loan Agreement dated December 3, 2007, by and among TIN Timber Financing, LLC, Citibank, N.A., Citicorp North America, Inc., as Agent, and the other Lenders named therein (incorporated by reference to Exhibit 10.2 to Temple-Inland's Quarterly Report on Form 10-Q for the quarter ended October 1, 2011, and filed with the Commission on November 7, 2011).
- (10.49) Form of Timber Note Receivable (incorporated by reference to Exhibit 10.1 to Temple-Inland's Quarterly Report on Form 10-Q for the quarter ended July 3, 2010, and filed with the Commission on August 9, 2010). The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the staff of the Securities and Exchange Commission upon request.
- (10.50) Form of Letter of Credit (incorporated by reference to Exhibit 10.2 to Temple-Inland's Quarterly Report on Form 10-Q for the quarter ended July 3, 2010, and filed with the Commission on August 9, 2010).
- (10.51) Purchase Agreement dated as of December 12, 2012, by and among International Paper Company, Georgia-Pacific Building Products LLC and Georgia-Pacific LLC.* The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the staff of the Securities and Exchange Commission upon request.

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- (11) Statement of Computation of Per Share Earnings.*
- (12) Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends. *
- (21) List of Subsidiaries of Registrant. *
- (23) Consent of Independent Registered Public Accounting Firm. *
- (24) Power of Attorney (contained on the signature page to the Company's Annual Report on Form 10-K for the year ended December 31, 2012).
- (31.1) Certification by John V. Faraci, Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
- (31.2) Certification by Carol L. Roberts, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
- (32) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- (101.INS) XBRL Instance Document *
- (101.SCH) XBRL Taxonomy Extension Schema *
- (101.CAL) XBRL Taxonomy Extension Calculation Linkbase *
- (101.DEF) XBRL Taxonomy Extension Definition Linkbase *
- (101.LAB) XBRL Taxonomy Extension Label Linkbase *
- (101.PRE) XBRL Extension Presentation Linkbase *

+ Management contract or compensatory plan or arrangement.

* filed herewith

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SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
(In millions)

For the Year Ended December 31, 2012					
Description	Balance at Beginning of Period	Additions Charged to Earnings	Additions Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Reserves Applied Against Specific Assets Shown on Balance Sheet:					
Doubtful accounts – current	\$ 126	\$ 17	\$ —	(24)(a)	\$ 119
Restructuring reserves	15	31	—	(27)(b)	19

For the Year Ended December 31, 2011					
Description	Balance at Beginning of Period	Additions Charged to Earnings	Additions Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Reserves Applied Against Specific Assets Shown on Balance Sheet:					
Doubtful accounts – current	\$ 129	\$ 18	\$ —	(21)(a)	\$ 126
Restructuring reserves	14	25	—	(24)(b)	15

For the Year Ended December 31, 2010					
Description	Balance at Beginning of Period	Additions Charged to Earnings	Additions Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Reserves Applied Against Specific Assets Shown on Balance Sheet:					
Doubtful accounts – current	\$ 136	\$ 28	\$ —	(35)(a)	\$ 129
Restructuring reserves	84	46	—	(116)(b)	14

(a) Includes write-offs, less recoveries, of accounts determined to be uncollectible and other adjustments.

(b) Includes payments and deductions for reversals of previously established reserves that were no longer required.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERNATIONAL PAPER COMPANY

February 26, 2013

By: /s/ SHARON R. RYAN

Sharon R. Ryan
Senior Vice President, General Counsel
and Corporate Secretary

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Sharon R. Ryan and Deon Vaughan as his or her true and lawful attorney-in-fact and agent, acting alone, with full power of substitution and resubstitution for

him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact full power and authority to do and perform each and every act and thing requisite or necessary to be done, hereby ratifying and confirming all that said attorney-in-fact and agent, or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

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Signature	Title	Date
<u>/S/ JOHN V. FARACI</u> John V. Faraci	Chairman of the Board, Chief Executive Officer and Director	February 26, 2013
<u>/S/ DAVID J. BRONCZEK</u> David J. Bronczek	Director	February 26, 2013
<u>/S/ AHMET C. DORDUNCU</u> Ahmet C. Dorduncu	Director	February 26, 2013
<u>/S/ ILENE S. GORDON</u> Ilene S. Gordon	Director	February 26, 2013
<u>/S/ STACEY J. MOBLEY</u> Stacey J. Mobley	Director	February 26, 2013
<u>/S/ JOAN E. SPERO</u> Joan E. Spero	Director	February 26, 2013
<u>/S/ JOHN L. TOWNSEND III</u> John L. Townsend III	Director	February 26, 2013
<u>/S/ JOHN F. TURNER</u> John F. Turner	Director	February 26, 2013
<u>/S/ WILLIAM G. WALTER</u> William G. Walter	Director	February 26, 2013
<u>/S/ J. STEVEN WHISLER</u> J. Steven Whisler	Director	February 26, 2013
<u>/S/ CAROL L. ROBERTS</u> Carol L. Roberts	Senior Vice President and Chief Financial Officer	February 26, 2013
<u>/S/ TERRI L. HERRINGTON</u> Terri L. Herrington	Vice President – Finance and Controller	February 26, 2013

Table of Contents**APPENDIX I****2012 LISTING OF FACILITIES***(all facilities are owned except noted otherwise)***PRINTING PAPERS****Uncoated Papers and Pulp****U.S.:**

Courtland, Alabama
 Selma, Alabama (Riverdale Mill)
 Cantonment, Florida (Pensacola Mill)
 Ticonderoga, New York
 Riegelwood, North Carolina
 Eastover, South Carolina
 Georgetown, South Carolina
 Sumter, South Carolina
 Franklin, Virginia

International:

Luiz Antônio, São Paulo, Brazil
 Mogi Guacu, São Paulo, Brazil
 Três Lagoas, Mato Grosso do Sul, Brazil
 Saillat, France
 Kadiam, India
 Rajahmundry, India
 Kwidzyn, Poland
 Svetogorsk, Russia

INDUSTRIAL PACKAGING**Containerboard****U.S.:**

Pine Hill, Alabama
 Prattville, Alabama
 Ontario, California (1)
 Oxnard, California (1)
 Cantonment, Florida (Pensacola Mill)
 Rome, Georgia
 Savannah, Georgia
 Cayuga, Indiana
 Cedar Rapids, Iowa
 Henderson, Kentucky
 Maysville, Kentucky
 Bogalusa, Louisiana
 Campti, Louisiana
 Mansfield, Louisiana
 Vicksburg, Mississippi
 Valliant, Oklahoma
 Springfield, Oregon

International:

Yanzhou City, China
 Veracruz, Mexico
 Kenitra, Morocco

Corrugated Container**U.S.:**

Bay Minette, Alabama
 Decatur, Alabama
 Dothan, Alabama (leased)
 Huntsville, Alabama
 Bentonville, Arkansas
 Conway, Arkansas
 Fort Smith, Arkansas (2 locations)
 Russellville, Arkansas (2 locations)
 Tolleson, Arizona
 Yuma, Arizona
 Anaheim, California
 Bell, California
 Buena Park, California (leased)
 Camarillo, California
 Carson, California
 Compton, California
 El Centro, California
 Elk Grove, California
 Exeter, California
 Gilroy, California (2 locations) (2 leased)
 Los Angeles, California (leased)
 Modesto, California (2 locations)
 Ontario, California
 Salinas, California
 Sanger, California
 San Leandro, California (leased)
 Santa Fe Springs, California (2 locations) (1 leased)
 Santa Paula, California (2)
 Stockton, California
 Tracy, California
 Union City, California (3)
 Golden, Colorado
 Wheat Ridge, Colorado
 Putnam, Connecticut
 Jacksonville, Florida (leased)
 Lake Wales, Florida
 Orlando, Florida
 Plant City, Florida

Columbus, Georgia
 Forest Park, Georgia
 Griffin, Georgia
 Kennesaw, Georgia (leased)
 Lithonia, Georgia
 Savannah, Georgia
 Tucker, Georgia
 Aurora, Illinois (2 locations)
 Bedford Park, Illinois (2 locations) (1 leased)
 Belleville, Illinois
 Carroll Stream, Illinois
 Chicago, Illinois (3 locations)
 Des Plaines, Illinois
 Elgin, Illinois
 Lincoln, Illinois
 Montgomery, Illinois
 Northlake, Illinois (2 locations)
 Rockford, Illinois
 Butler, Indiana
 Crawfordsville, Indiana
 Fort Wayne, Indiana
 Hammond, Indiana
 Indianapolis, Indiana (3 locations)
 Saint Anthony, Indiana
 Tipton, Indiana
 Cedar Rapids, Iowa
 Waterloo, Iowa
 Garden City, Kansas
 Kansas City, Kansas
 Bowling Green, Kentucky
 Lexington, Kentucky
 Louisville, Kentucky
 Walton, Kentucky
 Lafayette, Louisiana
 Bogalusa, Louisiana
 Minden, Louisiana (4)
 Shreveport, Louisiana
 Springhill, Louisiana
 Auburn, Maine
 Kalamazoo, Michigan (3)
 Three Rivers, Michigan
 Arden Hills, Minnesota
 Austin, Minnesota
 Fridley, Minnesota
 Minneapolis, Minnesota (leased)

Conalco, Tennessee (1)
Orange, Texas

Tampa, Florida (2 locations)

Shakopee, Minnesota
White Bear Lake, Minnesota

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Houston, Mississippi
Jackson, Mississippi
Magnolia, Mississippi (leased)
Olive Branch, Mississippi
Fenton, Missouri
Kansas City, Missouri
Maryland Heights, Missouri
North Kansas City, Missouri (leased)
St. Joseph, Missouri
St. Louis, Missouri
Omaha, Nebraska
Barrington, New Jersey
Bellmawr, New Jersey
Milltown, New Jersey
Spotswood, New Jersey
Thorofare, New Jersey
Binghamton, New York
Buffalo, New York
Rochester, New York
Scotia, New York
Utica, New York
Charlotte, North Carolina (2 locations)
(1 leased)
Lumberton, North Carolina
Manson, North Carolina
Newton, North Carolina
Statesville, North Carolina
Byesville, Ohio
Delaware, Ohio
Eaton, Ohio
Madison, Ohio
Marion, Ohio
Middletown, Ohio
Mt. Vernon, Ohio
Newark, Ohio
Solon, Ohio (2)
Streetsboro, Ohio
Wooster, Ohio
Oklahoma City, Oklahoma
Beaverton, Oregon
Hillsboro, Oregon
Portland, Oregon
Salem, Oregon (leased)
Biglerville, Pennsylvania
Eighty-four, Pennsylvania
Hazleton, Pennsylvania
Kennett Square, Pennsylvania

Lancaster, Pennsylvania
Littlestown, Pennsylvania
Mount Carmel, Pennsylvania
Georgetown, South Carolina
Laurens, South Carolina
Lexington, South Carolina
Ashland City, Tennessee (leased)
Cleveland, Tennessee
Elizabethton, Tennessee (leased)
Morristown, Tennessee
Murfreesboro, Tennessee
Amarillo, Texas
Dallas, Texas
Carrollton, Texas
Edinburg, Texas (3 locations)
El Paso, Texas
Ft. Worth, Texas (leased)
Grand Prairie, Texas
Hidalgo, Texas
McAllen, Texas
San Antonio, Texas (2 locations)
Sealy, Texas
Lynchburg, Virginia
Petersburg, Virginia
Richmond, Virginia
Moses Lake, Washington
Olympia, Washington
Yakima, Washington
Fond du Lac, Wisconsin
Manitowoc, Wisconsin

International:

Las Palmas, Canary Islands
Tenerife, Canary Islands
Rancagua, Chile
Baoding, China
Beijing, China (2 locations)
Chengdu, China
Chongqing, China (5)
Dalian, China
Dongguan, China
Guangzhou, China (2 locations)
Huhot, China
Nanjing, China
Shanghai, China (2 locations)
Shenyang, China
Suzhou, China

Tianjin, China (2 locations)
Wuhan, China
Xianghe, China (6)
Arles, France
Chalon-sur-Saone, France
Creil, France
LePuy, France (Espaly Box Plant)
Mortagne, France
Guadeloupe, French West Indies
Batam, Indonesia
Bellusco, Italy
Catania, Italy
Pomezia, Italy
San Felice, Italy
Kuala Lumpur, Malaysia
Juhor, Malaysia
Ixtaczoquitlan, Mexico
Juarez, Mexico (leased)
Los Mochis, Mexico
Puebla, Mexico (leased)
Reynosa, Mexico
San Jose Iturbide, Mexico
Santa Catarina, Mexico
Silao, Mexico
Tijuana, Mexico (2 locations)
Villa Nicolas Romero, Mexico
Zapopan, Mexico
Agadir, Morocco
Casablanca, Morocco
Kenitra, Morocco
Monterrey, Nuevo Leon (leased)
Vega Alta, Puerto Rico (7)
Jurong, Singapore (8)
Singapore, Singapore
Alcala, Spain (leased)
Almeria, Spain
Barcelona, Spain
Bilbao, Spain
Gandia, Spain
Valladolid, Spain
Bangkok, Thailand

Recycling

U.S.:

Phoenix, Arizona (leased)
Fremont, California (leased)
Norwalk, California

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West Sacramento, California
 Denver, Colorado
 Itasca, Illinois

Des Moines, Iowa
 Wichita, Kansas
 Roseville, Minnesota
 Omaha, Nebraska (leased)
 Charlotte, North Carolina
 Beaverton, Oregon
 Eugene, Oregon (leased)
 Memphis, Tennessee (leased)
 Carrollton, Texas
 Salt Lake City, Utah
 Richmond, Virginia
 Kent, Washington

International:

Monterrey, Mexico
 Xalapa, Veracruz, Mexico

Bags**U.S.:**

Buena Park, California
 Beaverton, Oregon
 Grand Prairie, Texas

CONSUMER PACKAGING**Coated Paperboard**

Ontario, California (leased)
 (C & D Center)
 Augusta, Georgia
 Springhill, Louisiana
 (C & D Center)
 Sturgis, Michigan
 (C & D Center)
 Greensboro, North Carolina
 (C & D Center)
 Riegelwood, North Carolina
 Hazelton, Pennsylvania
 (C & D Center)
 Prosperity, South Carolina
 Texarkana, Texas

Foodservice**U.S.:**

Visalia, California

 Shelbyville, Illinois
 Kenton, Ohio

International:

Shanghai, China
 Beijing, China
 Bogota, Colombia
 Cheshire, England (leased)

DISTRIBUTION**xpedx****U.S.:**

Wholesale
 Loveland, Ohio
 88 locations nationwide
 69 leased

International:

Mexico (20 locations) (all leased)

IP Asia**International:**

China (8 locations)
 Malaysia
 Taiwan
 Thailand
 Vietnam

FOREST PRODUCTS**Forest Resources****International:**

Approximately 327,000 acres in Brazil

BUILDING PRODUCTS (9)**U.S.:**

Monroeville, Alabama
 El Dorado, Arkansas (owned by Del-Tin Fiber L.L.C)
 Hope, Arkansas
 West Memphis, Arkansas
 Rome, Georgia
 Thomson, Georgia
 DeQuincy, Louisiana
 Fletcher, Oklahoma
 Mt. Jewett, Pennsylvania
 Buna, Texas
 Diboll, Texas (3 locations)
 McQueeney, Texas
 Pineland, Texas
 Cumberland City, Tennessee

(1) Sold July 2012

(2) Closed June 2012

(3) Closed September 2012

(4) Closed May 2012

(5) Closed July 2012

(6) Closed April 2012

(7) Closed December 2012

(8) Closed March 2012

(9) Classified as Assets Held for Sale

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APPENDIX II

**2012 CAPACITY INFORMATION
CONTINUING OPERATIONS**

<i>(in thousands of short tons)</i>	U.S.	Europe	Americas, other than U.S.	Asia	India	Total
Industrial Packaging						
Containerboard	13,616	52	26	—	—	13,694
Printing Papers						
Uncoated Freesheet	2,550	1,122	1,065	—	266	5,003
Bristols	200	—	—	—	—	200
Uncoated Papers and Bristols	2,750	1,122	1,065	—	266	5,203
Dried Pulp	1,190	331	165	—	—	1,686
Newsprint	—	122	—	—	—	122
Total Printing Papers	3,940	1,575	1,230	—	266	7,011
Consumer Packaging						
Coated Paperboard	1,699	365	—	1,027	—	3,091

Forest Resources

We own, manage or have an interest in approximately 1.2 million acres of forestlands worldwide. These forestlands and associated acres are located in the following regions: (M Acres)

Brazil	327
We have harvesting rights in:	
Russia	896
Total	1,223

Exhibit 10.3

INTERNATIONAL PAPER COMPANY
MANAGEMENT INCENTIVE PLAN (MIP)

Amended and Restated as of January 1, 2013

I. Purposes of the Plan and Plan Description

The purposes of this Plan are to: (a) provide an incentive to reward Participants for results in improving the financial performance of the Company; (b) attract and retain the best talent available; and (c) further align the interests of the Participants and the Company's shareowners.

The Plan is an annual cash incentive plan developed around the achievement of pre-established Performance Objectives and funded based on the Company's achievement level against those Performance Objectives.

II. Definitions

Award Scale

"Award Scale" means the conversion of the Performance Objective Rating to a percent of Target Award earned.

Cash Flow from Operations

"Cash Flow from Operations" includes cash flow from discontinued and continuing operations as well as cash flow from special items, and is shown in the Company's Statement of Cash Flow as "Cash Provided by (Used for) Operations." Cash flow as a result of pension contributions, alternative fuel mixture tax credits or other unanticipated, highly unusual items may, at the Committee's discretion, be excluded in the calculation of "Cash Flow from Operations" for purposes of determining achievement of this cash flow metric. Notwithstanding the foregoing, the financial results of Temple-Inland's Building Products business (which the Company is holding for sale) will be excluded from the Cash Flow from Operations calculation. In addition, the cash impact of one-time costs associated with the Temple-Inland acquisition (e.g., fees, settlements, costs to achieve synergies, etc.) will be excluded from this metric.

Cause

"Cause" includes but is not limited to misconduct or other activity detrimental to the business interest or

reputation of the Company or continued unsatisfactory job performance without making reasonable efforts to improve. Examples include insubordination, protracted or repeated absence from work without permission, illegal activity, disorderly conduct, etc.

CEO Special Award Pool

“CEO Special Award Pool” means the amount payable for CEO Special Awards as determined in Section III.

Committee

“Committee” means the Management Development and Compensation Committee of the Company’s Board of Directors.

Company

“Company” means International Paper Company, a New York corporation, together with its Subsidiaries.

Employee

“Employee” means a regular, active, full-time salaried employee employed on a non-temporary basis.

Misconduct

“Misconduct” includes but is not limited to an act detrimental to the business interest or reputation of the Company or any act determined to be a deliberate disregard of the Company’s rules, or violation of the Employee’s Non-Competition or Non-Solicitation Agreement.

Participant

“Participant” means a person who has been designated as a participant in the Plan, according to Section V.

Performance Objective Rating

“Performance Objective Rating” means the percentage amount assigned to a

Performance Objective for a level of performance achievement.

Performance Objectives

“Performance Objectives” mean the measures identified by the Company and approved by the Committee identified in Section VI.

Plan or MIP

“Plan” or “MIP” means this Management Incentive Plan, amended and restated as of January 1, 2013.

Plan Year

“Plan Year” means the twelve month period corresponding to the Company’s fiscal year (January 1 through December 31).

Return on Invested Capital or ROIC

“Return on Invested Capital” or “ROIC” means operating earnings before interest, including both earnings from continuing and discontinued operations (up through the date of sale), and before the impact of special items and non-operating pension expense, divided by average invested capital. Invested capital is total equity (adjusted for pension) plus interest bearing liabilities. The numerator in the Company’s ROIC metric excludes the impact of special items (such as gains or losses associated with asset sales, restructuring costs, and significant out-of-period or “one-off” items) and non-operating pension expense. Notwithstanding the foregoing, the financial results of Temple-Inland’s Building Products business (which the Company is holding for sale) will be excluded from the ROIC calculation.

Subsidiary

“Subsidiary” means any company that is owned (50% or more) or controlled by the Company, directly or indirectly.

Target Award

“Target Award” means an amount equal to the percentage of salary range midpoint applicable to the actual position level of each Participant, shown in Appendix A.

Total MIP Award Pool

“Total MIP Award Pool” means an amount generated by the sum of eligible Participants’ Target Awards multiplied by the Company’s percentage achievement of its Performance Objectives.

III. CEO Special Award Pool

The CEO may designate a portion of the Total MIP Award Pool to fund CEO Special Awards for extraordinary individual performance to award to Employees, regardless of whether such Employees are otherwise eligible to participate in the Plan. The CEO Special Award Pool, if any, has historically been in the range of 1.5% to 3.0% of the Total MIP Award Pool. The CEO Special Awards are funded out of the Total MIP Award Pool.

IV. Administration of the Plan

The Plan operates at the discretion of the Committee. The Committee may exercise considerable discretion and judgment in interpreting the Plan, and adopting, from time to time, rules and regulations that govern the administration of the Plan.

The Committee has delegated authority to the CEO or his designee for the day-to-day administration of the Plan, except with respect to the CEO's award or any award to a Senior Vice President of the Company or above.

Decisions of the Committee are final, conclusive and binding on all parties, including the Company, its shareowners, and employees.

V. Participation in the Plan

Participation in the Plan is generally limited to individuals who meet the definition of Employee set forth in Section II whose position level is 14 or higher. Except as set forth in Section VII, a Participant must be an Employee as of September 30 of the Plan Year *and* on the date of the award payout in order to be eligible to receive a payout.

Employees who are eligible for participation in any other short-term, cash-based incentive compensation plan of the Company are not eligible for participation in this Plan.

An Employee who becomes eligible to participate in the Plan during the Plan Year or who moves from one eligible position level to another will be eligible for a prorated award. An Employee who moves from an eligible position to a non-eligible position during the Plan Year will be eligible for a prorated award based on the number of months the employee was eligible during the Plan Year.

Participation in this Plan, or receipt of an award under this Plan, does not give a Participant or Employee any right to a subsequent award, or any right to continued employment by the Company for any period.

VI. Award Pool and Award Scale

A. Performance Objectives – Funding the Total MIP Award Pool

The Company must achieve at least a minimum level of performance in order to fund the Total MIP Award Pool.

The Total MIP Award Pool will be determined based on achievement of the Performance Objectives listed below during the Plan Year.

The maximum level of performance achievement that may be applied to calculate the Total MIP Award Pool for the Plan Year is 200%.

▲ 50% Weight: Cash Flow from Operations

Performance	Award %
Greater than \$3,200 MM and up to \$3,800 MM	.1667% for each \$1MM improvement greater than \$3,200 MM up to \$3,800 MM
\$3,200 MM	100%
From \$2,400 MM to less than \$3,200 MM	.0625% for each \$1MM drop below \$3,200 MM down to \$2,400 MM

50% Weight: Absolute Return on Invested Capital

Performance	Award %
Greater than 10.2% and up to 13.3%	3.226% for each 0.1% improvement greater than 10.2% up to 13.3%
10.2%	100%
From 7.6% to less than 10.2%	1.923% for each 0.1% drop below 10.2% down to 7.6%

A Performance Objective Rating

The Company's achievement of each Performance Objective will be evaluated by the Company as of the end of the Plan Year, and reviewed and verified by the Company's external auditors.

The Company's determination of performance achievement will be presented to the Committee for its review and approval in February following the end of the Plan Year.

B. Approval by the Committee of the Total MIP Award Pool

The Committee approves the Total MIP Award Pool based on the Company's performance achievement against the Performance Objectives described above.

The Committee may determine in its sole discretion to reduce or eliminate the Total MIP Award Pool based upon any objective or subjective criteria it deems appropriate.

The Committee may determine in its sole discretion to increase the Total MIP Award Pool above the calculated amount by no more than 25% based upon any objective or subjective criteria it deems appropriate. In no event shall the Total MIP Award Pool exceed the Maximum Award Pool of 200%.

The Company shall make every effort to provide projected performance achievement to the Committee by the December meeting of the Board of Directors with the intent of understanding the Committee's desire to exercise discretion with regard to the Total MIP Award Pool.

The amount allocated for payment of awards under the Plan and for the CEO Special Award Pool may not exceed the Total MIP Award Pool.

VII. Individual Participant Awards

A. Individual Award Recommendations

In February following the end of the Plan Year, the CEO (in consultation with the Senior Vice President, Human Resources and Communications) will recommend to the Committee the individual MIP awards for Senior Vice Presidents of the Company and above (other than the CEO) and an aggregate award amount for all other Participants.

The Committee will recommend to the independent members of the Board the amount of the MIP award for the CEO and any other employee-director, if any.

B. Payout of Individual Awards

Participants each have a **Target Award** expressed as a percentage of the midpoint of a defined salary range based on position level as set forth on the attached Appendix A.

A Participant's **Calculated Award** is equal to the Participant's Target Award multiplied by the Company's actual performance percentage achieved as reduced by the percentage designated for the CEO Special Award Pool.

A Participant's **Final Award** is equal to the Participant's Calculated Award adjusted by the Participant's individual performance achievement as determined by his or her manager against pre-established performance objectives. A Participant's individual award is capped at 200% of his or her Target Award.

A Participant may be eligible to receive a CEO Special Award in addition to his or her Final Award, which may cause the Participant's actual award to be paid to exceed 200%, provided, however, that the sum of all Final Awards plus CEO Awards may not exceed the Total MIP Award Pool.

The following is an example of an award payout calculation for a Participant.

C. Impact of Temporary Layoff for Salaried Employees

The MIP award of a Participant who is involuntarily, temporarily laid off by the Company will be determined

as follows:

- *Layoff of three months or less followed by return to active employment for Company:* The Participant will be eligible for his or her Calculated Award payable under the terms of the Plan. The Calculated Award will not be reduced for the period of temporary layoff.
- *Layoff of three months or less followed by termination of employment:* The Participant will be eligible for his or her Calculated Award payable under the terms of the Plan. The Participant's eligibility for an award will be determined under Section VII(E) and (F). The award payable, if any, will not be reduced for the period of temporary layoff.

D. Cancellation of Award Upon Certain Events Prior to Payout

An award not yet paid will cancel as of the Participant's termination of employment date in the following events that occur prior to actual payment:

- Voluntary resignation before retirement eligibility
 - Termination for Cause
-
- Violation of a Non-Compete, Non-Solicitation or Confidentiality Agreement, as applicable
 - Failure by any participant in the Company's Unfunded Supplemental Retirement Plan for Senior Managers ("SERP") to submit notice of retirement one year in advance of the effective date of his or her retirement, except in the event of death, Disability or waiver by the Management Development and Compensation Committee
 - Misconduct. The determination of whether a Participant has engaged in Misconduct shall be made by the Senior Vice President, Human Resources and Communications, or by the Management Development and Compensation Committee for Senior Vice Presidents and above, or by the Board of Directors for a determination with regard to the Chief Executive Officer.

Note: Awards will be cancelled in the situations listed above even if time and performance have been met but the award has not yet been paid at the time of termination. Any dispute as to whether any of the events described in this paragraph have occurred will be resolved by the Committee in its sole discretion in accordance with Section IV.

E. Proration Upon Certain Events

An award not yet paid will be prorated based upon the number of months of employment during the Plan Year in which the Participant worked 15 days or more. Awards paid at target as severance payments during the Plan Year are not paid from the Total MIP Award Pool, but rather are charged accordingly to the appropriate cost

center.

TERMINATION SCENARIO	DATE OF TERMINATION	AMOUNT TO BE PAID	TIME OF PAYMENT
<i>For All MIP-eligible Employees other than Senior Vice Presidents & CEO</i>			
DURING PLAN YEAR			
<ul style="list-style-type: none"> • Death • Long-Term Disability • Approved Leave of Absence • Severance* 	1/1 through 12/31	<u>Pro rata</u> Target Award	At termination or as soon as practical
<ul style="list-style-type: none"> • Retirement eligible <i>(including early retirement)</i> 	1/1 through 11/30	<u>Pro rata</u> Target Award	At termination or as soon as practical
	Month of December	<u>Full</u> Calculated Award based on Actual performance	At time of normal MIP payout
AFTER PLAN YEAR BUT BEFORE MIP PAYOUT			
<ul style="list-style-type: none"> • Death • Long-Term Disability • Approved Leave of Absence • Severance* • Retirement eligible <i>(including early retirement)</i> 	1/1 (of year following plan year) through MIP payout date	<u>Full</u> prior year Calculated Award based on Actual performance AND <u>Pro rata</u> Target Award for year of termination	Calculated Award is paid at time of normal MIP payout AND <u>Pro rata</u> Target Award is paid at termination or as soon as practical
<i>For Senior Vice Presidents and CEO</i>			
<ul style="list-style-type: none"> • Death • Long-Term Disability 	1/1 through 12/31	<u>Pro rata</u> Target Award	At termination or as soon as practical
<ul style="list-style-type: none"> • Retirement eligible <i>(including early retirement)</i> • Severance • Approved leave of Absence 	1/1 through 12/31	<u>Pro rata</u> Calculated Award based on Actual performance	At time of normal MIP payout

**NOTE: A Participant who does not sign a Termination Agreement and Release in connection with a severance payment will forfeit his or her MIP award, unless retirement eligible.*

VIII. Allocation of MIP Award Pool among Business Units and Corporate Staff Organizations

Each Business Unit and Corporate Staff Organization is allocated a portion of the Total MIP Award Pool as reduced by the CEO Special Award Pool based on the Company's performance achievement of the Performance Objectives, however, such allocations may be further adjusted by the CEO based upon any objective or subjective criteria the CEO deems appropriate.

IX. Payment of Awards

A. Type of Payment

MIP awards are paid in cash unless deferred by the Participant. Alternatively, the Committee may, in its sole discretion, authorize payment of all or a portion of earned MIP awards to all or certain groups of Participants under the Company's 2009 Incentive Compensation Plan in shares of Company stock.

B. Time of Payment

Awards may be paid in up to two installments, as determined by the Committee. Each such installment will be deemed to be a separate payment for purposes of Section 409A of the Internal Revenue Code and Treas. Reg. §1.409A-2(b)(2)(iii). In the event an award is paid in one installment, it will be made no later than March 15 following the Plan Year. In the event an award is paid in more than one installment, the first such payment will be made no later than March 15 following the Plan Year and the second such payment will be made no later than December 31 following the Plan Year. In no event will an award or any portion thereof be paid in the current Plan Year.

C. Payment to Beneficiaries

If a Participant dies prior to receipt of an approved award under the Plan, the award will be paid in accordance with the chart under Section VII(F) in a lump sum to the Participant's estate as soon as practicable but in no event later than 90 days after the date of death.

D. Deferral of Payment

Any Participant who is eligible for and has elected to participate in the Company's Deferred Compensation Savings Plan ("DCSP") may elect to defer payment, not to exceed 85%, of any award under this Plan by filing an irrevocable MIP Deferral Election by the last business day in December of the year prior to

the year in which such award would be earned. Awards or portions elected to be deferred will be credited with investment earnings or losses in accordance with provisions of, and the Participant's elections under, the

DCSP. MIP awards that are deferred will be paid in accordance with the payment terms of the DCSP.

X. Recoupment or Forfeiture of Awards

If the Company reasonably believes that a Participant has committed an act of Misconduct either during employment or within 90 days after such employment terminates, the Company may terminate the Participant's participation in the Plan or seek recoupment of an Award paid under this Plan. Recoupment may be effectuated by a notice of recapture ("Recapture Notice") sent to such Participant within the 90-day period following the termination of employment. The Participant will be required to deliver to the Company an amount in cash equal to the gross cash payment of the Award to which such Recapture Notice relates within 30 days after receiving such Recapture Notice from the Company.

The Company has sole and absolute discretion to take action or not to take action pursuant to this Section X upon discovery of Misconduct, and its determination not to take action in any particular instance does not in any way limit its authority to terminate the participation of a Participant in the Plan and/or send a Recapture Notice in any other instance.

If any provision of this Section X is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

XI. Impact of Restatement of Financial Statements Upon Previous Awards.

If any of the Company's financial statements are required to be restated, resulting from errors, omissions, or fraud, the Committee may (in its sole discretion, but acting in good faith) direct that the Company recover all or a portion of any such Award made to any, all or any class of Participants with respect to any fiscal year of the Company the financial results of which are negatively affected by such restatement. The amount to be recovered from any Participant shall be the amount by which the affected Award(s) exceeded the amount that would have been payable to such Participant had the financial statements been initially filed as restated, or any greater or lesser amount (including, but not limited to, the entire award) that the Committee shall determine. The Committee may determine to recover different amounts from different Participants or different classes of

Participants on such bases as it shall deem appropriate. In no event shall the amount to be recovered by the Company be less than the amount required to be repaid or recovered as a matter of law. The Committee shall determine whether the Company shall effect any such recovery (i) by seeking repayment from the Participant, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the Participant under any compensatory plan, program or arrangement maintained by the Company or any of its affiliates, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing.

XII. Modification, Suspension or Termination of Plan

The Committee may at any time suspend, terminate, modify or amend any or all of the provisions of this Plan.

XIII. Governing Law

The Plan is governed by the laws of the State of New York.

XIV. Tax Withholding

The Company has the right to make such provisions as it deems necessary or appropriate to satisfy any obligations it may have under law to withhold federal, state or local income or other taxes incurred by reason of payments pursuant to the Plan.

XV. IP Political Action Committee ("PAC") Contributions

A Participant who makes a valid election in accordance with the Company's procedures may deduct a specified amount or percentage from his or her MIP award for the purpose of contributing to the IP-PAC. The amount of the contribution may not exceed the federal limit for individual contributions to a political action committee. In no event shall a Participant's election to contribute or not contribute to the IP-PAC have any impact on a Participant's eligibility for, or amount of, his or her MIP award.

XVI. Section 409A

The Plan is intended to comply with the applicable requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and will be limited, construed and interpreted in accordance with such intent.

XVII. Non-Transferability of Award

No award under this Plan, and no rights or interests therein, will be assignable or transferable by a Participant (or legal representative).

XVIII. Effective Date

This Plan is effective as of January 1, 2013 and continues until terminated, suspended, modified, or amended by the Committee.

Appendix A

Management Incentive Plan (MIP)

2013 Target Awards

<u>Position Level</u>	<u>Target Award (% of Midpoint)</u>	<u>Target Award (Value)</u>
43	145%	\$2,077,900
42	90%	\$1,014,400
41	85%	\$871,000
40	85%	\$791,800
39	80%	\$677,400
38	80%	\$615,800
37	75%	\$524,800
36	75%	\$481,100
35	70%	\$410,500
34	70%	\$375,300
33	65%	\$319,000
32	65%	\$291,800
31	60%	\$246,500
30	55%	\$213,100
29	50%	\$175,400
28	50%	\$162,600
27	45%	\$133,800
26	45%	\$122,400
25	40%	\$99,600
24	40%	\$93,100
23	35%	\$74,500
22	30%	\$58,400

21	30%	\$53,400
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20	25%	\$40,800
19	25%	\$38,000
18	20%	\$28,200
17	20%	\$26,300
16	20%	\$24,300
15	15%	\$16,900
14	15%	\$15,700

Exhibit 10.6

PARTICIPANTS AS OF JANUARY 1, 2013
UNDER THE EXECUTIVE MANAGEMENT INCENTIVE PLAN

John V. Faraci	Chairman and Chief Executive Officer
John N. Balboni	SVP and Chief Information Officer, Information Technology
C. Cato Ealy	SVP, Corporate Development
William P. Hoel	SVP, Container the Americas
Tommy S. Joseph	SVP, Manufacturing, Technology, EHS&S and Global Sourcing
Thomas G. Kadien	SVP, Consumer Packaging and IP Asia
Paul J. Karre	SVP, Human Resources and Communications
Mary A. Laschinger	SVP and President, xpedx
Tim S. Nicholls	SVP, Printing & Communications Papers the Americas
Maximo Pacheco	SVP and President, IP Europe, Middle East, Africa and Russia
Carol L. Roberts	SVP and Chief Financial Officer
Sharon R. Ryan	SVP, General Counsel and Corporate Secretary
Mark S. Sutton	SVP, Industrial Packaging

Any other individual elected to the position of Senior Vice President during 2013

A-1

EXECUTIVE MANAGEMENT INCENTIVE PLAN
2013 COMPANY BUSINESS OBJECTIVE
AND INTERMEDIATE PERFORMANCE OBJECTIVES

Plan Element	<u>162(m) Limit Approved by MDCC</u>
Company Business Objective:	Positive EBITDA Before Special Items

INTERMEDIATE PERFORMANCE OBJECTIVES:	SAME AS 2013 MANAGEMENT INCENTIVE PLAN OBJECTIVES
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S-1

Exhibit 10.37

AMENDMENT NO. 6 TO SECOND AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT

THIS AMENDMENT NO. 6 TO SECOND AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT, dated as of June 12, 2012 (this "***Amendment***"), is by and among:

(a) RED BIRD RECEIVABLES, LLC, a Delaware limited liability company formerly known as Red Bird Receivables, Inc., a Delaware corporation ("***Borrower***"),

(b) INTERNATIONAL PAPER COMPANY, a New York corporation ("***International Paper***" and, together with Borrower, the "***Loan Parties***" and each, a "***Loan Party***"), as Servicer,

(c) JUPITER SECURITIZATION COMPANY LLC, a Delaware limited liability company (together with its successors, "***Jupiter***"), and JPMORGAN CHASE BANK, N.A., in its capacity as a Liquidity Bank to Jupiter (together with its successors, "***JPMorgan***" and, together with Jupiter, the "***Jupiter Group***"),

(d) STARBIRD FUNDING CORPORATION, a Delaware corporation (together with its successors, "***Starbird***"), and BNP PARIBAS, ACTING THROUGH ITS NEW YORK BRANCH, in its capacity as a Liquidity Bank to Starbird (together with its successors, "***BNP Paribas***" and, together with Starbird, the "***Starbird Group***"),

(e) WORKING CAPITAL MANAGEMENT CO., L.P., a California limited partnership (together with its successors, "***WCM***"), and MIZUHO CORPORATE BANK, LTD., in its capacity as a Liquidity Bank to WCM (together with its successors, "***Mizuho***" and, together with WCM, the "***WCM Group***"),

(f) ATLANTIC ASSET SECURITIZATION LLC, a Delaware limited liability company (together with its successors, "***Atlantic***"), and CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK (f/k/a CALYON NEW YORK BRANCH), in its capacity as a Liquidity Bank to Atlantic (together with its successors, "***CACIB***" and, together with Atlantic, the "***Atlantic Group***"),

(g) CAFCO, LLC, a Delaware limited liability company (together with its successors, "***CAFCO***" and, together with Jupiter, Starbird, WCM and Atlantic, the "***Conduits***"), and CITIBANK, N.A., in its capacity as a Liquidity Bank to CAFCO (together with its successors, "***Citibank***" and, together with CAFCO, the "***CAFCO Group***"),

(h) BANK OF AMERICA, N.A., a national association (together with its successors, "***BOA***") in its capacity as a Liquidity Bank (the "***BOA Group***"),

(i) JPMORGAN CHASE BANK, N.A., in its capacity as agent for the Jupiter Group (together with its

successors in such capacity, the “*Jupiter Agent*” or a “*Co-Agent*”), BNP PARIBAS, ACTING THROUGH ITS NEW YORK BRANCH, in its capacity as agent for the Starbird Group (together with its successors in such capacity, the “*Starbird Agent*” or a “*Co-Agent*”), MIZUHO CORPORATE BANK, LTD., in its capacity as agent for the WCM Group (together with its successors in such capacity, the “*WCM Agent*” or a “*Co-Agent*”), CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK, in its capacity as agent for the Atlantic Group (together with its successors in such capacity, the “*Atlantic Agent*” or a “*Co-Agent*”), BANK OF AMERICA, N.A., in its capacity as agent for the BOA Group (together with its successors in such capacity, the “*BOA Agent*” or a “*Co-Agent*”) and CITIBANK, N.A., in its capacity as agent for the CAFCO Group (together with its successors in such capacity, the “*CAFCO Agent*” or a “*Co-Agent*”), and

(j) CITICORP NORTH AMERICA, INC., as administrative agent for the Jupiter Group, the Starbird Group, the WCM Group, the Atlantic Group, the CAFCO Group, the BOA Group and the Co-Agents (in such capacity, together with any successors thereto in such capacity, the “*Administrative Agent*” and together with each of the Co-Agents, the “*Agents*”).

Capitalized terms used and not otherwise defined herein shall have the meanings attributed thereto in the Credit Agreement (as defined below).

PRELIMINARY STATEMENTS

WHEREAS, the parties hereto are parties to that certain Second Amended and Restated Credit and Security Agreement, dated as of March 13, 2008, as amended (as hereby and hereafter amended, restated or otherwise modified from time to time, the “*Credit Agreement*”);

WHEREAS, the Loan Parties desire to amend the Credit Agreement as hereinafter set forth; and

WHEREAS, the Agents are willing to agree to such amendments on the terms and subject to the conditions set forth in this Amendment;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

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1. **Amendments.** Effective on the date hereof, upon satisfaction of each of the conditions precedent set forth in Section 3 below, the parties hereto agree to amend the Credit Agreement as follows:

1.1. The definition of “Indebtedness” appearing in Exhibit I to the Credit Agreement is hereby amended to add the following sentence at the end thereof:

Notwithstanding anything herein to the contrary, and solely for purposes of calculating the ratio of Total Debt to Total Capital set forth in Section 9.1(n)(i), “Indebtedness” shall exclude all Nonrecourse Financial Liabilities of Special

Purpose Entities as defined in International Paper's financial statements delivered pursuant to Section 7.1(a).

2. Representations and Warranties. As an inducement to the Agents and the Lenders to enter into this Amendment, Borrower hereby represents and warrants to each of them as follows:

(i) the representations and warranties set forth in Section 6.1 of the Credit Agreement are true and correct on and as of the date of this Amendment as though made on and as of such date; and

(ii) no event has occurred and is continuing that constitutes an Amortization Event, and no event has occurred and is continuing that constitutes an Unmatured Amortization Event.

3. Conditions Precedent. This Amendment shall become effective as of the date first above written upon execution and delivery to the Administrative Agent's counsel of the Amendment.

4. Miscellaneous.

(a) CHOICE OF LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW.

(b) Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

(c) Ratification. Except as expressly amended hereby, the Credit Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the date hereof.

RED BIRD RECEIVABLES, LLC

By: /s/ Phillip M. Sisneros

Name: Phillip M. Sisneros

Title: President

INTERNATIONAL PAPER COMPANY, AS SERVICER

By: /s/ Errol A. Harris

Name: Errol A. Harris

Title: Vice President & Treasurer

JUPITER SECURITIZATION COMPANY LLC

By: JPMorgan Chase Bank, N.A., its Attorney-In-Fact

By: /s/ John Kuhns

Name: John Kuhns

Title: Executive Director

JPMORGAN CHASE BANK, N.A., as a Liquidity Bank and as Jupiter Agent

By: /s/ John Kuhns
Name: John Kuhns
Title: Executive Director

STARBIRD FUNDING CORPORATION

By: /s/ David V. DeAngelis
Name: David V. DeAngelis
Title: Vice President

BNP PARIBAS, ACTING THROUGH ITS NEW YORK BRANCH, as
Liquidity Bank and as Starbird Agent

By: /s/ Philippe Mojon
Name: Philippe Mojon
Title: Director

By: /s/ Doo-Sik Nam
Name: Doo-Sik Nam
Title: Vice President

ATLANTIC ASSET SECURITIZATION LLC

By: Credit Agricole Corporate and Investment Bank, as Attorney-In-Fact

By: /s/ Sam Pilcer
Name: Sam Pilcer
Title: Managing Director

By: /s/ Kostantina Kourmpetis
Name: Kostantina Kourmpetis
Title: Managing Director

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK, as
Liquidity Bank and as Atlantic Agent

By: /s/ Sam Pilcer
Name: Sam Pilcer
Title: Managing Director

By: /s/ Kostantina Kourmpetis
Name: Kostantina Kourmpetis
Title: Managing Director

WORKING CAPITAL MANAGEMENT CO., L.P.

By: /s/ Shinichi Nochiide
Name: Shinichi Nochiide
Title: Authorized Signatory

MIZUHO CORPORATE BANK, LTD., as a Liquidity Bank and as WCM
Agent

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

BANK OF AMERICA, N.A., as a BOA Agent and as a Liquidity Bank

By: /s/ Nina Austin
Name: Nina Austin
Title: Vice President

CAFCO, LLC

BY: CITIBANK, N.A., ITS ATTORNEY-IN-FACT

By: /s/ Steffen Lunde
Name: Steffen Lunde
Title: Vice President

CITICORP NORTH AMERICA, INC., as Administrative Agent

By: /s/ Steffen Lunde
Name: Steffen Lunde
Title: Vice President

CITIBANK, N.A.,

as CAFCO Agent and as a Liquidity Bank

By: /s/ Steffen Lunde

Name: Steffen Lunde

Title: Vice President

Exhibit 10.55

PURCHASE AGREEMENT

DATED AS OF THE 12TH DAY OF DECEMBER, 2012

BY AND AMONG

INTERNATIONAL PAPER COMPANY,

GEORGIA-PACIFIC BUILDING PRODUCTS LLC

AND

GEORGIA-PACIFIC LLC

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is entered into as of December 12, 2012, by and among International Paper Company, a New York corporation ("Seller"), Georgia-Pacific Building Products LLC, a Delaware limited liability company ("Purchaser"), and, solely for the purposes of Section 11.12, Georgia-Pacific LLC, a Delaware limited liability company ("GP").

WHEREAS, Seller, through certain direct and indirect wholly owned subsidiaries, designs, develops, manufactures, sells and distributes building products in three segments consisting of solid wood, panel products and gypsum wallboard;

WHEREAS, Seller wishes to sell, or cause the other applicable members of the Seller Group to sell, to Purchaser, and Purchaser wishes to purchase from Seller or the other applicable members of the Seller Group, the Transferred Assets, including the Transferred Equity Interests, upon the terms and subject to the conditions of this Agreement; and

WHEREAS, capitalized terms used but not defined elsewhere in this Agreement shall have the meanings set forth in Section 11.03.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants, agreements and conditions hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

TRANSFER OF ASSETS; ASSUMPTION OF LIABILITIES

SECTION 1.01 Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, at the Closing, Seller shall, and shall cause all other applicable members of the Seller Group to, sell, transfer, assign and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from Seller and any such member of the Seller Group, all of Seller's and such member's right, title and interest in, to and under the Business and, except for the Excluded Assets, all of the Transferred Assets (other than the assets of the Transferred Entities), including all of the Transferred Equity Interests, in each case, free and clear of all Liens (other than Permitted Liens) together for (a) an aggregate purchase price of \$750,000,000 in cash (the "Purchase Price"), payable as set forth in Section 2.02(b)(i) and subject to adjustment as set forth therein and in Sections 2.03 and 2.05, and (b) Purchaser's assumption (including through the Transferred Equity Interests) of the Assumed Liabilities. The purchase and sale of the Business, the Transferred Assets, including the Transferred Equity Interests, and the assumption of the Assumed Liabilities are collectively referred to in this Agreement as the "Acquisition."

SECTION 1.02 Transferred Assets and Excluded Assets.

(a) For purposes of this Agreement, "Transferred Assets" means (i) the Additional Assets and (ii) all of the properties, assets, goodwill and rights (including lease, license and other contractual rights) of whatever kind and nature, real, personal or mixed, tangible or intangible and wherever situated, that are (A) owned by Seller or any other member of the Seller Group immediately prior to the Closing and (B) used or held for use exclusively in connection with the Business, other than the Excluded Assets. Notwithstanding the foregoing, Transferred Assets includes (in each case, other than the Excluded Assets):

(i) all Real Property owned or leased by Seller or any other member of the Seller Group used or held for use exclusively in the Business, including the Owned Real Property (except for the Rome Real Property), the Leased Real Property and other Real Property set forth in Section 1.02(a)(i)(A) and Section 1.02(a)(i)(B) of the Seller Disclosure Letter (collectively, the "Transferred Real Property");

(ii) all raw materials, works-in-process, finished goods and products, supplies, spare, replacement and component parts, stores, by-products, energy resources and repair materials and office and other supplies

(collectively, "Inventory"), in each case, that are owned by Seller or any other member of the Seller Group, wherever located, that, as of the close of business on the Closing Date, are (A) primarily used in the operation of the Business to the extent located on-site at the Business Real Property or (B) exclusively used in the operation of the Business to the extent not located on-site at the Business Real Property (collectively, the "Transferred Inventory");

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(iii) all other tangible personal property and interests therein owned by Seller or any other member of the Seller Group (including all machinery, equipment, furniture, furnishings, tools and vehicles owned by Seller or any other member of the Seller Group, all personal property used by Business Employees and all decommissioned machinery and equipment), that, in each case, are or, in the case of decommissioned property, immediately prior to decommission were, (A) primarily used in the operation of the Business to the extent located on-site at the Business Real Property or (B) exclusively used in the operation of the Business to the extent not located on-site at the Business Real Property;

(iv) all patents (including all provisionals, reissues, divisions, continuations, continuations-in-part, renewals and extensions thereof), patent applications, patent rights, trademarks, trademark registrations, trademark applications, service marks, trade names, business names, domain names, trade dress, logos, slogans, copyright registrations, mask works, design registrations, all applications, registrations and renewals in connection therewith, all goodwill associated with any of the foregoing, and all rights to any of the foregoing anywhere in the world (collectively, "Intellectual Property"), in each case, that are owned by Seller or any other member of the Seller Group and used or held for use primarily in the Business (collectively, the "Transferred Intellectual Property");

(v) all trade secrets, proprietary information, invention disclosures, works of authorship, unregistered copyrights, unregistered trademarks, inventions (whether patentable or not and whether or not reduced to practice), improvements, unregistered designs, copyrightable works, software (including the underlying source code), databases, confidential business information, processes, procedures, compositions, technical data and know-how and all documentation relating to and any similar or equivalent rights in any of the foregoing throughout the world (collectively, "Technology"), in each case that are owned by Seller or any other member of the Seller Group and used or held for use primarily in the Business (collectively, the "Transferred Technology");

(vi) all permits, licenses, franchises, approvals, consents, authorizations, waivers, grants, concessions, exemptions or orders of, or registrations, certificates and manufacturer's affidavits of country origin and other similar documents, certificates or declarations with, and other similar documents issued by, any Governmental Entity (collectively, "Permits") set forth in Section 1.02(a)(vi) of the Seller Disclosure Letter, and all other Permits (including any pending applications therefor) that are held by Seller or any other member of the Seller Group and used or held for use exclusively in the Business, in each case to the extent such Permits are transferable (collectively, the "Transferred Permits");

(vii) (A) all contracts, leases, subleases, licenses, notes, bonds (including the Hope Bonds), debentures, indentures, guarantees, agreements,

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commitments and all other legally binding instruments, arrangements and understandings, whether or not in writing (collectively, “Contracts”), to which Seller or any other member of the Seller Group is a party or by which Seller or any other member of the Seller Group is bound and which are set forth as Business Material Agreements in Section 1.02(a)(vii) of the Seller Disclosure Letter, (B) all Contracts that are entered into after the date hereof in accordance with Section 5.01 that, if in effect on the date hereof, would be required to be set forth in Section 1.02(a)(vii) of the Seller Disclosure Letter, and (C) all other Contracts to which Seller or any other member of the Seller Group is a party or by which Seller or any other member of the Seller Group is bound that are used or held for use exclusively in, or that arise exclusively out of, the Business (collectively, the “Transferred Contracts”); provided, however, that notwithstanding the foregoing, Transferred Contracts shall not include Excluded Contracts;

(viii) all rights of Seller or any other member of the Seller Group in and to products sold or leased prior to the Closing and returned to Purchaser after Closing provided such products are exclusively related to the Business;

(ix) all credits, prepaid expenses, deferred charges, advance payments, security deposits and prepaid items, in each case, that are owned by Seller or any other member of the Seller Group, (except for those related to Taxes to the extent they are attributable to any taxable period ending on or before the Closing Date or to any portion of a Straddle Period ending on the Closing Date (a “Pre-Closing Tax Period”), but specifically including those related to Taxes to the extent they are attributable to the Post-Closing Tax Period) that are used or held for use exclusively in, or that arise exclusively out of, the Business or that are otherwise allocable to any Transferred Asset or any Assumed Liability;

(x) all rights, claims, causes of action, lawsuits, judgments, demands of any nature available to or being pursued by Seller or any other member of the Seller Group whether arising directly, by way of counterclaim or cross-claim or otherwise, and credits owned by Seller or any other member of the Seller Group to the extent relating to any Transferred Asset or any Assumed Liability, including any such item arising under any express or implied guarantee, warranty, indemnity, right of recovery, right of set-off or similar right in favor of Seller or any other member of the Seller Group in respect of any Transferred Asset or any Assumed Liability;

(xi) all books, records and other documents (including all books of account, ledgers, general, financial, accounting and personnel records, Tax Returns and other Tax records (including work papers and supporting documentation), files, correspondence, invoices, customers’ and suppliers’ lists, other mailing and distribution lists, operating, production and other manuals, manufacturing and quality control records and procedures, billing records, sales

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and promotional literature, in all cases, in any form or medium (“Records”) (except that Tax Returns and other Tax Records include only those of the Transferred Entities and do not include any consolidated, combined, unitary or similar Tax Return and other Tax Records (including work papers and supporting documentation) of Seller or the Seller Group) of Seller or any other member of the Seller Group, other than personnel related Records, that (A) are located on the Transferred Real Property on the Closing Date or (B) are used or held for use exclusively in, relate exclusively to, or arise exclusively out of, the Business (collectively, the “Transferred Records”);

(xii) with respect to the Transferred Employees, all OSHA 300 logs, OSHA 300A forms, and OSHA

301 forms, all grievance files and related documents to the extent those grievances remain unresolved after the Closing, all documents necessary to allow Purchaser to comply with its obligations under the Family and Medical Leave Act of 1993, as amended, and the regulations promulgated thereunder, and the CBAs, including any side or letter agreements (collectively, the “Transferred Personnel Records”);

(xiii) Subject to Section 6.05(c), the Transferred Equity Interests;

(xiv) all rights under nondisclosure, confidentiality or similar agreements, to which Seller or any other member of the Seller Group is a party, except that Seller shall retain rights thereunder with respect to (A) Seller information that does not constitute Transferred Records or Transferred Personnel Records and (B) the nonsolicitation of employees of Seller and its affiliates (other than Business Employees);

(xv) all goodwill of Seller or any other member of the Seller Group to the extent generated by or associated with the Business or the Transferred Assets; and

(xvi) all accounts receivable of Seller or any other member of the Seller Group to the extent related to the Business and the receivables associated with the Hope Bonds.

(b) For purposes of this Agreement, “Excluded Assets” shall mean (1) any property or assets of Seller or any other member of the Seller Group that are not Transferred Assets and (2) without limiting the generality of (1) above, the following assets owned by Seller or any other member of the Seller Group:

(i) all cash and cash equivalents and all rights to all bank accounts;

(ii) all accounts receivable of Seller or any other member of the Seller Group other than the accounts receivable described in Section 1.02(a)(xvi) and all Inventory (other than the Transferred Inventory);

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(iii) subject to Section 6.14, all insurance policies and binders and all claims, refunds, proceeds and credits from insurance policies or binders due or to become due with respect to such policies or binders;

(iv) all rights, claims and credits to the extent relating to any Excluded Asset or any Retained Liability, including any such item to the extent arising under any guarantee, warranty, indemnity or similar right in favor of Seller or any other member of the Seller Group in respect of any Excluded Asset or any Retained Liability;

(v) all shares of capital stock of, or other equity interests in, any affiliate of Seller or any other Person (in each case, other than the Transferred Entities);

(vi) all assets solely and specifically reserved to pay the obligations under any employee benefit plan in which any employee of Seller or any of its affiliates participates and the Liabilities of which are not assumed by Purchaser hereunder;

(vii) all financial and Tax Records relating to the Business (other than Tax Records of the Transferred Entities) that form part of Seller’s or any other member of the Seller Group’s general ledger or Tax Returns;

(viii) except as provided in Section 1.02(a)(xi), all Records prepared in connection with the sale or transfer of the Business, including bids received from third parties and analyses relating to the Business;

(ix) the corporate charter, qualifications to conduct business as a foreign corporation, arrangements

with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books and similar documents of Seller or any other member of the Seller Group (other than the Transferred Entities);

(x) all rights of Seller or any other member of the Seller Group (other than the Transferred Entities) under this Agreement or any other Transaction Document;

(xi) the names and marks owned by Seller or any other member of the Seller Group that are not Transferred Intellectual Property, including the names and marks set forth in Section 1.02(b)(xi) of the Seller Disclosure Letter (in each case, in any style or design) (collectively, the “Retained Names”);

(xii) all Intellectual Property, Technology, websites, website content and web images (A) that are owned by or licensed to Seller or any other member of the Seller Group and not used or held for use primarily in the Business, including the Intellectual Property, Technology, websites, website content and web images

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set forth in Section 1.02(b)(xii)(A) of the Seller Disclosure Letter, and (B) that are set forth in Section 1.02(b)(xii)(B) of the Seller Disclosure Letter; provided that any such Intellectual Property, Technology, websites, website content and web images listed in Section 1.02(b)(xii)(C) of the Seller Disclosure Letter (“Licensed Excluded Assets”) shall be licensed to Purchaser (except, in the case of licensed rights, if such license prohibits further licensing) on a non-exclusive, sub-licensable, perpetual, royalty-free basis to allow Purchaser to continue the use of Licensed Excluded Assets consistent with practicing the Business following Closing pursuant to license agreements substantially in the form of the Patent License Agreement;

(xiii) all Real Property set forth in Section 1.02(b)(xiii) of the Seller Disclosure Letter.

(xiv) all Permits set forth in Section 1.02(b)(xiv) of the Seller Disclosure Letter;

(xv) all Contracts set forth in Section 1.02(b)(xv) of the Seller Disclosure Letter;

(xvi) except as provided pursuant to the Transition Services Agreement, all rights to receive, and all rights with respect to the delivery of, corporate-level services of the type provided as of the date of this Agreement to the Business by Seller or any of its affiliates, including assets used or held for use by Seller in connection with such corporate-level services (other than assets that are used exclusively by Business Employees);

(xvii) any refund or credit of Taxes to the extent that such refund or credit is attributable to any Retained Tax Liability;

(xviii) all tangible personal property and interests therein set forth in Section 1.02(b)(xviii) of the Seller Disclosure Letter;

(xix) the Rome Real Property;

(xx) all employee or personnel Records other than the Transferred Personnel Records;

(xxi) all inventory, trade fixtures and other property of concessionaires, business partners, or licensees or lessees of Seller or any other member of the Seller Group that are not owned by Seller or any other member of the Seller Group;

(xxii) all bids or other proposals with respect to any of the Segments or all or any portion of the Business, entered into with, or received from, bidders or

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other third parties in connection with any attempt to sell or transfer all or any portion of the Segments or the Business;

(xxiii) all ownership and other rights with respect to any Business Benefit Plan or any Business Benefit Agreement, including all Del-Tin Benefit Plan Arrangements; and

(xxiv) all assets set forth in Section 1.02(b)(xxiv) of the Seller Disclosure Letter, if any.

SECTION 1.03 Consents to Certain Assignments.

(a) Notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign, directly or indirectly, any asset (including any Contract or Permit) or any claim or right or any benefit arising under or resulting from such asset if an attempted direct or indirect assignment thereof, without the consent of a third party or Governmental Approval, (i) would constitute a breach, default, violation or other contravention of the rights of such third party or Governmental Entity or of applicable Law, (ii) would be ineffective with respect to any party to an agreement concerning such asset, claim or right, or (iii) would in any way adversely affect the rights of Seller or any other member of the Seller Group or, upon transfer, Purchaser or the Transferred Entities under such asset, claim or right. If any direct or indirect transfer or assignment by Seller to Purchaser, or any direct or indirect acquisition or assumption by Purchaser of, any interest in, or Liability under, any asset, claim or right requires the consent of a third party or Governmental Approval, then such transfer or assignment or assumption shall be made subject to such consent or Governmental Approval being obtained.

(b) If any third party consent or Governmental Approval referred to in Section 1.03(a) is not obtained prior to the Closing, the Closing shall, subject to the satisfaction of the conditions set forth in Article VII and unless this Agreement is terminated in accordance with Article VIII, nonetheless take place on the terms set forth herein and, thereafter, (i) Purchaser and Seller shall, subject to the provisions of Section 1.03(c), cooperate in any lawful and commercially reasonable arrangement proposed by Purchaser and agreed to by Seller (which agreement will not be unreasonably withheld, conditioned or delayed) under which, for up to 12 months following the Closing Date, (A) Purchaser shall obtain (without infringing upon the legal rights of such third party or Governmental Entity or violating any applicable Law) the economic claims, rights and benefits under the asset, claim or right with respect to which the third party consent or Governmental Approval has not been obtained in accordance with this Agreement and (B) Purchaser shall assume the economic burden with respect to the asset, claim or right with respect to which the third party consent or Governmental Approval has not been obtained in accordance with this Agreement, and (ii) Seller shall, and shall cause the other members of the Seller Group to, use commercially reasonable efforts to obtain the applicable third-party consent or Governmental Approval and enforce following the Closing, at the request of Purchaser and for a period of 12 months, at the

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expense and for the account of Purchaser, any rights of Seller arising from such asset, claim or right with respect to which the third-party consent or Governmental Approval has not been obtained against the other party or parties

thereto. Notwithstanding the foregoing limitations set forth in Section 1.03(b), if a third party to a contract set forth in Section 1.03(b) of the Seller Disclosure Letter (collectively, the “Specified Contracts”) does not consent to the assignment of such Specified Contract prior to the Closing (to the extent such consent is required pursuant to the terms of such Specified Contract), the Closing shall, subject to the satisfaction of the conditions set forth in Article VII and unless this Agreement is terminated in accordance with Article VIII, nonetheless take place on the terms set forth herein and, thereafter, (I) Purchaser and Seller shall, subject to the provisions of Section 1.03(c), cooperate in any lawful and commercially reasonable arrangement proposed by Purchaser and agreed to by Seller (which agreement will not be unreasonably withheld, conditioned or delayed) under which, for the remaining term of such Specified Contracts, (A) Purchaser shall obtain (without infringing upon the legal rights of such third party or violating any applicable Law) the economic claims, rights and benefits under the Specified Contract with respect to which the third party consent has not been obtained in accordance with this Agreement and (B) Purchaser shall assume the economic burden with respect to the Specified Contract with respect to which the third party consent has not been obtained in accordance with this Agreement and (II) Seller shall, and shall cause the other members of the Seller Group to, use commercially reasonable efforts to obtain the third-party consent related to the Specified Contract and enforce following the Closing, at the request of Purchaser and for the remaining term of such Specified Contract, at the expense and for the account of Purchaser, any rights of Seller arising from such Specified Contract.

(c) If and when any such third party consent or Governmental Approval referred to in Section 1.03(a) is obtained after the Closing, the assignment of the asset, claim or right to which such third party consent or Governmental Approval relates shall be promptly effected in accordance with the terms of this Agreement in a form reasonably satisfactory to Purchaser and Seller without the payment of additional consideration. Seller and Purchaser shall, and shall cause their respective subsidiaries to, use commercially reasonable efforts to obtain such third-party consents and/or Governmental Approvals as promptly as practicable. Purchaser and Seller shall each be responsible for 50% of any and all third-party fees (other than de minimis fees and attorney’s fees) that may be reasonably required in connection with obtaining, whether before or after the Closing, any third-party consents (other than Governmental Approvals) referred to in Section 1.03(a). Except as set forth in Section 6.05(a), Seller and Purchaser shall share equally any and all fees and out-of-pocket expenses that may be reasonably required in connection with (i) obtaining, whether before or after the Closing, any Governmental Approval referred to in Section 1.03(a) (other than Transfer Taxes and Rollback Taxes, which are the subject of Section 9.01(c)) and (ii) making any arrangements referred to in Section 1.03(b). The parties shall cooperate in reasonably minimizing all such fees and expenses.

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(d) Subject to Section 1.03(a), if after the Closing (i) Purchaser or any of its subsidiaries holds any Excluded Assets or Retained Liabilities or (ii) Seller or any other member of the Seller Group holds any Transferred Assets or Assumed Liabilities, Purchaser or Seller, as applicable, shall promptly transfer (or cause to be transferred) such assets or assume (or cause to be assumed) such Liabilities to or from (as the case may be) the other party. Prior to any such transfer, the party receiving or possessing any such asset shall hold it in trust for such other party.

(e) For 12 months after the Closing, Seller shall use commercially reasonable efforts to cooperate, and shall cause the other members of the Seller Group to use commercially reasonable efforts to cooperate, with Purchaser in order to provide Purchaser, at Purchaser’s expense, with all of the benefits of, including any volume-based pricing, subject to the related obligations under, the Enterprise Contracts listed on Section 1.03(e) of the Seller Disclosure Letter (the “Shared Contracts”) to the extent that such Shared Contracts relate to the Business or the Business Assets; provided that Purchaser shall use commercially reasonable efforts and Seller shall use commercially reasonable efforts to cooperate, and shall cause the other members of the Seller Group to use commercially reasonable efforts to cooperate, with Purchaser to enter into a separate Contract with the third party to each Shared Contract on comparable terms in respect of the Business and the Business Assets as promptly as practicable after the Closing, but in any event within 12 months after the Closing.

SECTION 1.04 Assumption of Liabilities.

(a) Except as provided in Section 1.04(b), Purchaser shall not assume, in connection with the Transactions, any Liability of Seller whatsoever, and Seller shall retain responsibility for all Liabilities accrued as of or on the Closing Date and all Liabilities arising from the Business, the Seller Business or the operations of Seller or any of its subsidiaries, prior to or on the Closing Date, whether or not accrued and whether or not disclosed.

(b) As the sole exception to Section 1.04(a), upon the terms and subject to the conditions of this Agreement, including the indemnification provisions of Section 10.01 and the provisions of Section 1.04(c), Purchaser shall, effective as of the Closing, (1) cause the Transferred Entities to pay, perform and discharge when due, all of their respective Liabilities arising after the Closing Date, (2) assume, and shall pay, perform and discharge when due all Liabilities of Seller or any of its subsidiaries (other than the Transferred Entities) to the extent such Liabilities arise out of or relate to the Transferred Assets, the Business or the operation or conduct of the Business, in each case, after the Closing Date, other than the Retained Liabilities, and (3) assume, and shall pay, perform and discharge when due, the following Liabilities (in each case, other than the Retained Liabilities) (clauses (1), (2) and (3) collectively, other than the Retained Liabilities, the "Assumed Liabilities"):

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(i) all Liabilities (including any accrued rebates) to the extent included on the Closing Date Statement (as finally determined in accordance with Section 2.03(c));

(ii) all Liabilities of Seller or any other member of the Seller Group under the Transferred Contracts and the Transferred Permits to the extent such obligations are not required to be performed on or prior to the Closing Date and accrue and relate to the operations of the Business subsequent to the Closing Date;

(iii) solely to the extent such Liabilities are expressly assumed by Purchaser pursuant to Section 6.07, (A) employment and employee benefit-related Liabilities with respect to Transferred Employees and their dependents and beneficiaries (regardless of when such Liabilities arose, arise, were or are incurred) arising out of or relating to any Business Benefit Plan or Business Benefit Agreement other than the Retained Benefit Liabilities, and (B) all employment and employee Liabilities arising out of or relating to the Business;

(iv) all Liabilities for (A) Taxes arising out of or relating to or in respect of (1) the Business, (2) the Transferred Entities or (3) the Transferred Assets, in each case, for any Post-Closing Tax Period, including the Post-Closing Tax Period of a Straddle Period, (B) Rollback Taxes, and (C) any portion of the Transfer Taxes to be borne by Purchaser as specifically provided for herein;

(v) subject to Purchaser's right to indemnification pursuant to Section 10.01(a)(iv), all Assumed Environmental Liabilities;

(vi) all trade payables and accrued Liabilities (including the Liabilities associated with rebates) to the extent they are based substantially on events or circumstances that occurred, existed or were initiated prior to or on the Closing Date and are included on the Closing Date Statement (as finally determined in accordance with Section 2.03(c)); and

(vii) all Liabilities arising out of the Assumed Indebtedness.

(c) Notwithstanding any other provision of this Agreement to the contrary, Purchaser shall not assume or have any liability in respect of any Retained Liability, each of which shall be retained and shall be paid, performed and discharged when due by Seller or any of its subsidiaries. For purposes of this Agreement, "Retained Liabilities"

shall mean the following Liabilities of Seller or any of its subsidiaries or of the Business or the Seller Business:

(i) (A) all Liabilities arising from or relating to the Business, the Business Assets or the operation or conduct of Seller or any of its subsidiaries, to the extent they arise out of events or circumstances that occurred or existed prior to or on the Closing Date, whether or not accrued and whether or not disclosed,

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except for the Assumed Liabilities and (B) all Liabilities to the extent not arising out of or relating to the Business, the Business Assets or the ownership, operation or conduct thereof;

(ii) all Liabilities to the extent arising out of or relating to (A) the Excluded Assets or (B) the Seller Business;

(iii) all Liabilities (A) with respect to the Transferred Employees, to the extent they arise out of events or circumstances that occurred or existed on or prior to the Closing Date with respect to the Transferred Employees, including any Change of Control Payments, (B) incurred or arising at any time with respect to any Business Employee who does not become a Transferred Employee, (C) under or with respect to any Business Benefit Plan or any Business Benefit Agreement that are not expressly assumed by Purchaser pursuant to Section 6.07, whether or not such Liability arises out of events occurring prior to, on or following the Closing Date, including workers' compensation claims arising out of incidents occurring prior to the Closing, provided that a workers' compensation claim relating to any such injury is made within six months after Closing, and (D) under any Multiemployer Plan (such Liabilities referred to in this Section 1.04(c)(iii), collectively, the "Retained Benefit Liabilities");

(iv) all Liabilities for (A) Taxes arising out of, relating to or in respect of the Business, the Transferred Entities or the Transferred Assets for any Pre-Closing Tax Period, including the Pre-Closing Tax Period of a Straddle Period, (B) Taxes of Seller or any of its subsidiaries (other than the Transferred Entities), (C) Taxes of the Transferred Entities that are related or attributable to any Pre-Closing Tax Period, including the Pre-Closing Tax Period of a Straddle Period as a result of their being included in any affiliated group that files consolidated, combined or unitary Tax Returns by reason of Treasury Regulations Section 1.1502-6 or any comparable or similar Law, (D) any portion of the Transfer Taxes to be borne by Seller or the Seller Group as specifically provided herein and (E) payments under any Tax allocation, sharing or similar agreement or arrangement (whether oral or written), other than pursuant to this Agreement, to which Seller, the Seller Group, the Transferred Entities or the Transferred Assets is subject (collectively, the "Retained Tax Liabilities");

(v) all Liabilities relating to, resulting from or arising out of any claim made by or on behalf of any individual who is not a Transferred Employee based on, or in any way related to, actual, alleged or sought employment or joint employment with Seller or any other member of the Seller Group on or prior to the Closing Date, and any similar claims made by or on behalf of any Governmental Entity;

(vi) all Liabilities under any Transferred Contract or Transferred Permit incurred or arising prior to or on the Closing Date;

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(vii) other than the Assumed Indebtedness, any Indebtedness outstanding prior to the Closing of any member of the Seller Group or any other subsidiary of Seller arising out of or relating to the Business or any of the Transferred Assets;

(viii) all Liabilities in respect of any Action, regardless of whether or not presently asserted, arising out of or relating to: (A) any decisions or actions made or implemented by Seller or any other member of the Seller Group prior to the Closing concerning pricing or job quotes, including antitrust and similar claims, (B) the manufacture, sale or distribution by Seller or any other member of the Seller Group prior to the Closing of any gypsum board manufactured in China, any gypsum board utilizing gypsum produced or extracted in China, or any gypsum board that emits or is claimed to emit hydrogen sulfide or other substances capable of causing odor or corrosion, (C) the labeling and packaging of any products manufactured, sold or distributed by Seller or any other member of the Seller Group prior to the Closing, (D) claims by any Persons (including employees or former employees Seller or any other member of the Seller Group) alleging exposure to asbestos or any other Hazardous Materials prior to Closing at any present or former facilities used in the Business or by virtue of exposure to products, including asbestos, used in or sold by the Business prior to the Closing, (E) claims by any Persons (including employees or former employees Seller or any other member of the Seller Group) alleging that exposure to Seller's or any other member of the Seller Group's equipment prior to Closing caused hearing loss, (F) those matters set forth on Section 4.09 of the Seller Disclosure Letter, and (G) the Action styled as Kleen Products LLC v. Packaging Corp of America et al, U.S. District Court, Northern District of Illinois, No. 10-05711;

(ix) all Liabilities and obligations of Seller or any other member of the Seller Group under this Agreement or any of the Ancillary Agreements;

(x) all Environmental Liabilities, other than the Assumed Environmental Liabilities, arising from or relating to the Business, the Business Assets or the operation or conduct of Seller or any of its subsidiaries, to the extent they arise out of events or circumstances that occurred or existed prior to or on the Closing Date, whether or not accrued and whether or not disclosed; provided, however, that Seller shall not be responsible for, and Retained Liabilities shall not include, costs of compliance with Environmental Laws that come into force and effect after the Closing Date.

(xi) all Liabilities of Seller or any other member of the Seller Group to the extent arising out of or relating to products manufactured or sold by the Business on or prior to the Closing Date, including obligations, liabilities and commitments for refunds, adjustments, allowances, repairs, exchanges, returns and warrant, product liability, merchantability and other claims relating to such products;

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(xii) all Liabilities of Seller or any other member of the Seller Group relating to the Del-Tin Operating Agreement, including with respect to the exercise of the buy-sell rights therein;

(xiii) all indemnification obligations of the Transferred Entities with respect to their directors, officers or employees (whether by statute, Contract or otherwise) to the extent they arise out of events or circumstances that occurred or existed prior to or on the Closing Date; and

(xiv) all accounting, transactional, legal, brokerage or other fees or expenses of Seller or any other member of the Seller Group relating to the negotiation and consummation of the Transactions.

SECTION 1.05 Risk of Loss. Until the Closing, any loss of or damage to the Business Assets from fire, casualty or any other occurrence shall be the sole responsibility of Seller. As of the time of Closing, title to all Transferred Assets shall be transferred to Purchaser, and Purchaser shall thereafter bear all risk of loss associated with the Business Assets and the Business and be solely responsible for procuring adequate insurance to protect the Business Assets and the Business against any such loss.

SECTION 1.06 Disclaimer of Representations and Warranties. EXCEPT AS MAY EXPRESSLY BE SET FORTH IN THIS AGREEMENT OR IN ANY OTHER TRANSACTION DOCUMENT, (A) NONE OF SELLER OR ANY MEMBER OF THE SELLER GROUP MAKES (AND SELLER AND THE MEMBERS OF THE SELLER GROUP HEREBY DISCLAIM) ANY REPRESENTATION OR WARRANTY OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THE TRANSFERRED ENTITIES OR THE ASSETS THEREOF, THE BUSINESS ASSETS, THE ASSUMED LIABILITIES OR THE BUSINESS, ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (INCLUDING ANY CONSENTS OR APPROVALS REQUIRED IN CONNECTION THEREWITH) OR THE BUSINESS, ASSETS, CONDITION OR PROSPECTS (FINANCIAL OR OTHERWISE) OF, OR ANY OTHER MATTER INVOLVING, THE TRANSFERRED ENTITIES, THE BUSINESS ASSETS, THE ASSUMED LIABILITIES OR THE BUSINESS, AND SELLER, THE MEMBERS OF THE SELLER GROUP AND THEIR RESPECTIVE AFFILIATES AND REPRESENTATIVES SHALL NOT HAVE ANY LIABILITY FOR ANY SUCH REPRESENTATION OR WARRANTY, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO PURCHASER OR ANY OF ITS REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION, AND (B) ALL OF THE BUSINESS ASSETS TO BE TRANSFERRED OR THE ASSUMED LIABILITIES TO BE ASSUMED OR TRANSFERRED IN ACCORDANCE WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT SHALL BE TRANSFERRED OR ASSUMED ON AN "AS IS, WHERE IS" BASIS, AND ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE ARE HEREBY EXPRESSLY DISCLAIMED. PURCHASER, TOGETHER WITH ITS ADVISORS, HAS MADE ITS OWN INVESTIGATION OF THE BUSINESS, THE TRANSFERRED ENTITIES AND THE ASSETS THEREOF, THE BUSINESS ASSETS AND THE ASSUMED LIABILITIES AFTER HAVING BEEN PROVIDED WITH AN ADEQUATE

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OPPORTUNITY AND ACCESS TO COMPLETE SUCH INVESTIGATION AND PURCHASER IS NOT RELYING ON ANY WARRANTIES, EXPRESS OR IMPLIED, PROVIDED ORALLY OR CONTAINED IN ANY MATERIALS PROVIDED BY SELLER OR ANY OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE REPRESENTATIVES OR OTHERWISE, OTHER THAN AS EXPRESSLY PROVIDED IN THIS AGREEMENT OR IN ANY ANCILLARY AGREEMENT. EXCEPT AS MAY BE EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN ANY OTHER TRANSACTION DOCUMENT, NONE OF SELLER OR ANY OTHER MEMBER OF THE SELLER GROUP MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO ANY INFORMATION, DOCUMENTS OR MATERIAL MADE AVAILABLE IN CONNECTION WITH THE ENTERING INTO OF THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS OR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 1.07 Employees.

(a) No later than five Business Days prior to the Closing, Seller shall deliver to Purchaser an updated version of the information provided in Section 1.07(h)(i) of the Seller Disclosure Letter. Subject to compliance with applicable Law and in accordance with the provisions of any applicable CBA and this Section 1.07, Purchaser shall make offers of employment to all bargaining unit Business Employees to be effective at the time of Closing, and conditional offers of employment to be effective at the time of Closing to each salaried and non-bargaining unit Business Employee subject to the following conditions: (i) completes an application, (ii) provides documentation sufficient under applicable Law to authorize his or her employment in the U.S. and (iii) passes a routine drug screening, other than those Business Employees who are on Extended Leave or are not employed in the Business on

the Closing Date and, at the Closing, shall hire each bargaining unit Business Employee who has accepted such offer, and shall hire each salaried and non-bargaining unit Business Employee who has met each condition and accepted such offer. Each offer of employment to such a Business Employee shall be consistent with the pertinent provisions of Section 6.07. Except as provided in Section 6.07, Purchaser, in its sole discretion, will establish the terms and conditions of employment with respect to any and all Transferred Employees.

(b) Under the same terms set forth in Section 1.07(a) and subject to the terms of any applicable CBA, Purchaser shall also make offers of employment to any Business Employee who is not actively at work on the Closing Date by reason of (i) long-term disability leave or (ii) short-term disability or other authorized leave of absence (each of clause (i) and clause (ii), "Extended Leave"), who expresses an intention to return and who has received clearance to return from such Extended Leave within 18 months following the Closing Date or thereafter if there is a legal obligation on the part of Seller or Purchaser to employ such Business Employee upon his or her return from any such Extended Leave, in which case such Business Employee shall be eligible to commence employment with Purchaser, consistent with applicable Law, as of the date the Business Employee returns from such Extended Leave, rather than the Closing Date; provided that

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any such salaried or non-bargaining unit Business Employee (1) completes an application, (2) provides documentation sufficient under applicable Law to authorize his or her employment in the U.S., and (3) passes a routine drug screening and any Business Employee is released to return to work and can perform essential functions of his job with or without reasonable accommodation. Seller shall retain financial responsibility

(x) for each Business Employee on Extended Leave at the Closing Date until the date such employee becomes an employee of Purchaser in accordance with the foregoing provisions of this Section 1.07(b) or otherwise terminates employment with Seller and

(y) for long-term disability coverage as and to the extent provided for in the applicable plan, in accordance with the methodology set forth in Section 1.07(b) of the Seller Disclosure Letter, for each Business Employee who (A) is on short-term disability leave as of the Closing Date, (B) seeks long-term disability coverage, and (C) has not returned from Extended Leave in accordance with the first sentence of this Section 1.07(b) and reported to work with Purchaser prior to seeking long-term disability coverage.

(c) If any Transferred Employee requires a work permit or employment pass or other approval for his or her employment to continue with Purchaser following the Closing, Purchaser and Seller shall use commercially reasonable efforts to ensure that any necessary applications are promptly made and to secure the necessary permit, pass or other approval. Purchaser and Seller shall comply with all applicable Laws relating to notification of unions and relevant Governmental Entities and negotiations with unions in respect of the Transactions; provided, however, that Purchaser shall bear all expenses of any compensation resulting from negotiations with unions. Subject to compliance with applicable Law, Seller shall and shall cause the other members of the Seller Group to, use commercially reasonable efforts and cooperate with Purchaser to cause each Business Employee to accept Purchaser's offer of employment. Nothing herein shall be construed as a representation or guarantee by Seller or any other member of the Seller Group that any particular Business Employee or Business Employees will accept the offer of employment from Purchaser or will continue in employment with Purchaser following the Closing. Nothing herein shall interfere with or in any way limit the right of Purchaser to terminate any Transferred Employee's employment at any time and for any reason after the Closing, or confer upon any Transferred Employee any right after the Closing to continue in the employ of Purchaser.

(d) The parties intend that Transferred Employees shall have continuous and uninterrupted employment immediately before and immediately after the Closing, and that for purposes of any severance or termination benefit plan, program, policy, agreement or arrangement of Seller, Purchaser or any of their respective subsidiaries or affiliates, the Acquisition shall not constitute a severance of employment of any Transferred Employee prior to or

upon the consummation of the Acquisition.

(e) Prior to Closing, Seller shall provide Purchaser information and access to Records with respect to the employment terms and conditions of Business Employees only to the extent such information and access is necessary to prepare the Business Employees to receive pay and benefits under Purchaser's payroll and benefits programs.

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(f) Section 1.07(f) of the Seller Disclosure Letter sets forth the name of each Transferred Employee who is obligated not to compete with Seller or any of its subsidiaries and the agreement or agreements under which such Transferred Employee is so obligated. For each such Transferred Employee, Seller shall waive, effective as of the Closing, such Transferred Employee's non-competition obligation solely with respect to such Transferred Employee's service to Purchaser and its affiliates following the Closing.

(g) Subject to Section 6.07 and except for the obligations under the applicable CBAs, nothing in the Agreement, express or implied, shall be interpreted to prevent or restrict Purchaser or its affiliates from modifying or terminating the employment or terms of employment of any Transferred Employee, including the amendment or termination of any employee benefit or compensation plan, program or arrangement, after the Closing Date.

(h) For purposes of this Agreement:

(i) The term "Business Employee" means the individuals set forth in Section 1.07(h)(i) of the Seller Disclosure Letter; provided, however, that the Business Employees shall in no event include the Excluded Employees. Section 1.07(h)(i) of the Seller Disclosure Letter specifies each Business Employee's name, position, status as exempt or unexempt from overtime under the U.S. Fair Labor Standards Act and the rules and regulations promulgated thereunder ("ELSA"), annual salary, hourly wages, date of hire, work location, start date, length of service, status with respect to whether on Extended Leave.

(ii) The term "Transferred Employee" means each Business Employee who (A) accepts employment with Purchaser as of the Closing Date (or such later date on which such Business Employee becomes an employee of Purchaser in accordance with Section 1.07(b) if such Business Employee is not actively at work by reason of Extended Leave on the Closing Date) or (B) whose employment transfers by operation of Law as part of the transfer of the Transferred Entities.

ARTICLE II

CLOSING AND POST-CLOSING PURCHASE PRICE ADJUSTMENT

SECTION 2.01 Closing. Unless this Agreement is terminated in accordance with Article VIII, the closing (the "Closing") of the Acquisition shall take place at the offices of K&L Gates LLP, 599 Lexington Avenue, New York, New York, 10022 at 10:00 a.m. on the second Business Day following the satisfaction (or waiver) of the conditions set forth in Article VII, or at such other place, time and date as shall be agreed in writing between Seller and Purchaser. The date on which the Closing occurs is referred to in this Agreement as the "Closing Date."

SECTION 2.02 Transactions To Be Effected at the Closing. At the Closing:

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(f) Seller shall deliver or cause to be delivered to Purchaser (or the Seller's Title Agent pursuant to Section 6.18) by the appropriate member of the Seller Group (unless delivered previously) the following:

(i) certificates representing the Transferred Equity Interests (other than El Morro, the limited liability company interests of which are uncertificated), duly endorsed by Seller for transfer to the designated Purchaser Designee, in each case with any required stock transfer stamps affixed thereto, free and clear of all Liens (other than Permitted Liens);

(ii) duly executed deeds for each parcel of Owned Real Property (which shall be special warranty deeds, limited warranty deeds or the equivalent in the jurisdiction where each Owned Real Property is located and shall be in the forms attached hereto as Exhibit A), and a bill of sale substantially in the form attached hereto as Exhibit B, an assumption and assignment agreement substantially in the form attached hereto as Exhibit C, a trademark assignment agreement in the form attached hereto as Exhibit D, a domain name assignment agreement in the form attached hereto as Exhibit E, a patent assignment agreement in the form attached hereto as Exhibit X, assignments, certificates of title and other instruments of transfer relating to the other Transferred Assets (other than the assets of the Transferred Entities), in each case transferring such Transferred Asset to the designated Purchaser Designee free and clear of any Liens (other than Permitted Liens) together with possession of the Transferred Assets;

(iii) counterparts of Ancillary Agreements to which Seller or any other member of the Seller Group is a party duly executed by Seller or the relevant member of the Seller Group;

(iv) duly executed FIRPTA Certificates;

(v) a complete and correct copy (recorded on a DVD or similar medium) of the electronic data room created and maintained by or on behalf of Seller in connection with phase two of the contemplated sale of the Business (but not any internal electronic data rooms that were not shared with Purchaser during the course of the Transactions);

(vi) a certificate executed by the secretary or any assistant secretary of Seller, dated as of the Closing Date, as to (A) the good standing of Seller in its jurisdiction of incorporation; (B) the effectiveness of the resolutions of the board of directors of Seller and the other members of the Seller Group authorizing the execution, delivery and performance of this Agreement and each other Transaction Document and the Transactions, and (C) incumbency and signatures of the officers of Seller executing this Agreement and any other Transaction Document;

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(vii) all such other certificates, documents and assignments required to be delivered to Purchaser at or prior to the Closing pursuant to this Agreement or the Ancillary Agreements or reasonably requested by Purchaser to convey the Transferred Assets to Purchaser or to otherwise consummate the Transactions (the documents in Sections 2.02(a)(i) and (a)(ii) above and this Section 2.02(a)(vii), other than the Ancillary Agreements, collectively, the "Asset Conveyance Documents") (it being understood that the Asset Conveyance Documents shall not require Seller to make any additional representations, warranties or covenants, expressed or implied, not contained in this Agreement, the Ancillary Agreements or in an exhibit attached hereto or thereto); and

(viii) duly executed counterparts of the Liability Assumption Documents to which Seller or any other

member of the Seller Group is a party.

(g) Purchaser shall deliver or cause to be delivered to Seller (unless previously delivered) the following:

(i) payment, by wire transfer of immediately available funds to one or more accounts designated in writing by Seller, in an amount equal to (A) the Purchase Price, plus or minus, as applicable, (B) the difference between (I) the Target Net Working Capital and (II) Seller's Net Working Capital estimate pursuant to Section 2.03(a) (the amount of the Purchase Price plus or minus, as the case may be, such estimate of adjustment under Section 2.03 being hereinafter called the "Closing Date Payment");

(ii) duly executed assumption agreements and other instruments of assumption providing for the assumption of the Assumed Liabilities (other than the Liabilities of the Transferred Entities);

(iii) counterparts of Ancillary Agreements to which Purchaser or any Purchaser Designee is a party duly executed by Purchaser or the applicable Purchaser Designee;

(iv) a duly executed certificate of the secretary or an assistant secretary of Purchaser, dated the Closing Date, in form and substance satisfactory to Seller, as to (A) the resolutions of the board of managers of Purchaser authorizing the execution and performance of this Agreement, any Ancillary Agreement and the transactions contemplated hereby and thereby, (B) the good standing of Purchaser in its jurisdiction of incorporation, and (C) incumbency and signatures of the officers of Purchaser executing this Agreement and any Ancillary Agreement;

(v) all such other certificates and documents required to be delivered to Seller at or prior to the Closing pursuant to this Agreement or the Ancillary Agreements and all such other documents, certificates, agreements or items reasonably requested by Seller to consummate the Transactions, including the assignment to Purchaser of the Assumed Bonds Obligations (the documents in

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Section 2.02(b)(ii) and this Section 2.02(b)(v), other than the Ancillary Agreements, collectively, the "Liability Assumption Documents") (it being understood that the Liability Assumption Documents shall not, unless otherwise required by any third-party who is a party thereto, require Purchaser to make any additional representations, warranties or covenants, expressed or implied, not contained in this Agreement); and

(vi) duly executed counterparts of the Asset Conveyance Documents to which Purchaser or any Purchaser Designee is a party.

SECTION 2.03 Post-Closing Purchase Price Adjustment.

(d) Estimated Working Capital. At least five Business Days prior to the Closing Date, Seller shall deliver to Purchaser an estimate in writing signed by an officer of Seller (on behalf of and in the name of Seller), which sets forth Seller's good faith Closing Net Working Capital calculation (with reasonable detail and supporting documentation) in accordance with the Applicable Accounting Principles of the adjustment to the Purchase Price under this Section 2.03.

(e) Closing Date Statement. Within 90 days after the Closing Date, Purchaser shall prepare and deliver to Seller a statement (the "Closing Date Statement"), setting forth the Net Working Capital of the Business as of the close of business on the Closing Date (the "Closing Net Working Capital"). Seller shall provide assistance to Purchaser in the preparation of the Closing Date Statement and shall provide Purchaser access at all times to the

personnel, properties, Contracts and Records of Seller and the other members of the Seller Group (in each case, to the extent such personnel, properties, and Records relate to the Business) for such purpose.

(f) Objections; Resolution of Disputes. The Closing Date Statement shall become final and binding upon the parties on the 30th day following delivery thereof, unless Seller gives written notice of its disagreement with the Closing Date Statement (a “Notice of Disagreement”) to Purchaser prior to such date. Any Notice of Disagreement shall (i) specify in reasonable detail the nature of any disagreement so asserted, (ii) only include disagreements based on mathematical errors or based on the Closing Net Working Capital not being calculated in accordance with this Section 2.03, and (iii) be accompanied by a certificate of Seller certifying that matters specified in the Notice of Disagreement are consistent with the requirements of Section 2.03(e). If a Notice of Disagreement is received by Purchaser in a timely manner, then the Closing Date Statement (as revised in accordance with this sentence) shall become final and binding upon the parties on the earlier of (A) the date Seller and Purchaser resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement and (B) the date any disputed matters are finally resolved in writing by the Accounting Firm. During the 30-day period following the delivery of a Notice of Disagreement, Seller and Purchaser shall seek in good faith to resolve in writing any differences that they may have with respect to the matters specified in the Notice of Disagreement. At the end of such 30-day period, Seller and Purchaser shall submit to the Accounting Firm for

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arbitration any and all matters that remain in dispute and were properly included in the Notice of Disagreement and each party's work papers related thereto. Seller and Purchaser shall use commercially reasonable efforts to cause the Accounting Firm to render a decision resolving the matters submitted to the Accounting Firm within 30 days of receipt of the submission. Neither Seller nor Purchaser shall have any ex parte communications with the Accounting Firm without the prior written consent of the other party. The determination of the Accounting Firm shall be final and binding on the parties and judgment may be entered upon such determination in any court having jurisdiction over the party against which such determination is to be enforced. The cost of any arbitration (including the fees and expenses of the Accounting Firm and reasonable attorney fees and expenses of the parties) pursuant to this Section 2.03 shall be borne by Purchaser and Seller in inverse proportion as they may prevail on matters resolved by the Accounting Firm, which proportionate allocations shall also be determined by the Accounting Firm at the time the determination of the Accounting Firm is rendered on the merits of the matters submitted. Other than the fees and expenses referred to in the immediately preceding sentence, the fees and disbursements of Seller's independent auditors shall be borne by Seller and the fees and disbursements of Purchaser's independent auditors shall be borne by Purchaser.

(g) Adjustment Payment. If the Closing Net Working Capital exceeds the Target Net Working Capital, the Purchase Price shall be increased by the amount by which Closing Net Working Capital exceeds the Target Net Working Capital, and if the Closing Net Working Capital is less than the Target Net Working Capital, the Purchase Price shall be decreased by the amount by which Closing Net Working Capital is less than the Target Net Working Capital. The Purchase Price as so increased or decreased under this Section 2.03(d) shall hereinafter be referred to as the “Adjusted Purchase Price.” If the Closing Date Payment is less than the Adjusted Purchase Price, Purchaser shall, and if the Closing Date Payment is more than the Adjusted Purchase Price, Seller shall, in each case within 10 Business Days after the Closing Date Statement becomes final and binding on the parties, make payment to the other party in an amount equal to the difference between the Closing Date Payment and the Adjusted Purchase Price by wire transfer in immediately available funds to one or more accounts designated in writing at least two Business Days prior to such payment by the party entitled to receive such payment, plus interest thereon at a rate of interest equal to six percent per annum, calculated on the basis of the actual number of days elapsed divided by 365, from the Closing Date to the date of payment.

(h) Certain Definitions. The term “Net Working Capital” means (A) the sum of trade accounts receivable (net of reserves), inventory (net of reserves) and pre-paid expenses (including sales, use and property Taxes but excluding

Income Taxes), in each case to the extent such item constitutes a Transferred Asset, minus (B) the sum of trade accounts payable, accrued payroll (including accrued but unused vacation leave) and accrued current liabilities (including sales, use and property Taxes but excluding Income Taxes), in each case to the extent such item constitutes an Assumed Liability, calculated (1) using the methods, policies, principles and methodologies set forth in Section 2.03(e)

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of the Seller Disclosure Letter, whether or not doing so is in accordance with (x) the methods, policies, principles and methodologies as were used by Seller in the preparation of the Business Financial Statements or (y) GAAP, and (2) otherwise, calculated in accordance with GAAP applied in a manner consistent with Seller's historical methods, policies, principles and methodologies, excluding any effects of the Transactions. The foregoing principles are referred to in this Agreement as the "Applicable Accounting Principles." The Closing Net Working Capital is to be calculated as of close of business on the Closing Date in accordance with the Applicable Accounting Principles. The Closing Net Working Capital shall include any items for amounts with respect to sales, use and property Taxes (whether deferred, accrued or current) but, as described above, shall exclude any items for amounts with respect to Income Taxes (whether deferred, accrued or current). The scope of the disputes with respect to Closing Net Working Capital to be resolved by the Accounting Firm as provided in Section 2.03(c) shall be solely limited to whether such calculation was determined in accordance with the Applicable Accounting Principles, and whether there were mathematical errors in the calculation of Closing Net Working Capital in the Closing Date Statement. Without limiting the generality of the foregoing, no determination of the Accounting Firm shall be conclusive as to the determination of the accuracy of any representation or warranty in this Agreement or as to compliance by Seller or Purchaser with any of its covenants in this Agreement (other than (A) whether the Closing Date Statement calculation of Closing Net Working Capital was done in accordance with the Applicable Accounting Principles and (B) whether there were any mathematical errors in the calculation of Closing Net Working Capital in the Closing Date Statement).

(i) Post-Closing Books and Records. Following the Closing until the finalization of Closing Net Working Capital, Purchaser shall not take any actions with respect to the accounting Records of the Business on which the Closing Date Statement is to be based that would affect the Closing Date Statement. During the period of time from and after the Closing Date through the resolution of any adjustment to the Purchase Price contemplated by this Section 2.03, Purchaser shall afford to Seller and any accountants and counsel retained by Seller in connection with any adjustment to the Purchase Price contemplated by this Section 2.03 reasonable access during normal business hours to all the personnel, properties, Contracts and Records of Purchaser, its affiliates and the Business relevant to the adjustment contemplated by this Section 2.03.

(j) Adjustments. All payments required pursuant to this Section 2.03 will be deemed to be adjustments for Tax purposes to the Purchase Price, to the extent permitted by applicable Law.

SECTION 2.04 Withholding. If pursuant to the sale of any Real Property Seller fails to deliver to Purchaser at least five Business Days prior to the Closing Date reasonably appropriate documentation as required for relief from Tax withholding under applicable Law, then, notwithstanding anything to the contrary herein, Purchaser shall be entitled to deduct and withhold from the consideration otherwise deliverable under this Agreement, such amounts as Purchaser or its affiliates are required to deduct and withhold with respect to any such deliveries

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and payments under applicable Law and as agreed to by Purchaser and Seller. To the extent that amounts are so withheld, they shall be treated for all purposes of this Agreement as having been delivered and paid to such Person in respect of which such deduction and withholding was made.

SECTION 2.05 Del-Tin Adjustment. In the event the Del-Tin Assets are not included in the Transferred Assets at Closing pursuant to Section 6.16, the Purchase Price shall be reduced by an amount equal to \$40,000,000 (the "Del-Tin Purchase Price").

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PURCHASER

As of the date hereof and (unless otherwise stated in this Article III) as of the Closing Date, Purchaser represents and warrants to Seller that:

SECTION 3.01 Organization, Standing and Power. Purchaser is duly organized, validly existing and in good standing under the Laws of the State of Delaware. Purchaser has full power and authority and possesses all governmental franchises, licenses, permits, authorizations and approvals necessary to enable it to own, lease or otherwise hold its properties, assets and rights and to conduct its businesses as presently conducted, other than such franchises, licenses, permits, authorizations and approvals, the lack of which would not reasonably be expected to have a Purchaser Material Adverse Effect.

SECTION 3.02 Authority; Execution and Delivery; Enforceability.

(k) Purchaser has all requisite power and authority to execute and deliver each Transaction Document to which it is or is contemplated to be a party, to perform its obligations thereunder and to consummate the Transactions. The execution, delivery and performance by Purchaser of each Transaction Document to which it is or is contemplated to be a party and the consummation by Purchaser of the Transactions have been duly authorized by all requisite corporate action on the part of Purchaser. Purchaser has duly executed and delivered this Agreement, and, assuming due authorization, execution and delivery by the other parties hereto, this Agreement constitutes its legal, valid and binding obligation, enforceable against Purchaser in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies). At or prior to the Closing, Purchaser will have duly executed and delivered each other Transaction Document to which it is or is contemplated to be a party, and, assuming due authorization, execution and delivery by the other parties thereto, each other Transaction Document to which it is or is contemplated to be a party will constitute its legal, valid and binding obligation, enforceable against it in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies).

(l) The board of managers of Purchaser, pursuant to a valid written consent, duly adopted resolutions approving the entry into of this Agreement and the other

Transaction Documents to which Purchaser or any subsidiary of Purchaser is or is contemplated to be a party, the Acquisition and the other Transactions. No vote or consent of the holders of any class or series of Purchaser capital stock is necessary to consummate any of the Transactions.

SECTION 3.03 No Conflicts; Governmental Approvals.

(a) The execution and delivery by Purchaser of each Transaction Document to which it is a party do not, the execution and delivery by Purchaser of each Transaction Document to which it is contemplated to be a party will not, and the consummation of the Transactions and compliance with the terms hereof and thereof will not, conflict with, or result in any violation of or default (or an event that, with or without notice or lapse of time or both, would become a default) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or to increased, additional, accelerated or guaranteed rights or entitlements of any Person under, or result in the creation of any Lien upon any of the properties or assets of Purchaser or any of its subsidiaries under, any provision of (i) the certificate of formation and the limited liability company agreement (or comparable charter or organizational documents) of Purchaser or any of its subsidiaries, (ii) any Contract to which Purchaser or any of its affiliates is a party or by which any of their respective properties or assets is bound or (iii) subject to the filings, consents and other matters referred to in Section 3.03(b), any Judgment, statute, law (including common law), ordinance, rule or regulation ("Law") applicable to Purchaser or any of its affiliates or their respective properties or assets, other than, in the case of clauses (ii) and (iii) above, any such item that would not reasonably be expected to have a Purchaser Material Adverse Effect.

(b) No consent, notice, approval, license, permit, order or authorization ("Governmental Approval") of, or registration, declaration or filing with, or permit from, any federal, state, provincial, territorial, local or foreign government, any political subdivision thereof, or any court of competent jurisdiction, administrative or regulatory agency, copyright, patent or trademark office, department, body or commission or other governmental or quasi-governmental authority, body or instrumentality, domestic or foreign (a "Governmental Entity") is required to be obtained or made by or with respect to Purchaser or any of its subsidiaries in connection with the ownership of Purchaser or any of its affiliates in connection with the Transactions, the execution, delivery and performance of any Transaction Document to which it is a party or the consummation of the Transactions, other than (i) authorization or exemption, as the case may be, from the STB in order for Purchaser to acquire the stock of TSE and control and operate the Rail Facilities subsequent to Closing, (ii) compliance with and filings and notifications under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") and any other Review Laws, (iii) those that may be required solely by reason of the participation of Seller or any other member of the Seller Group (as opposed to any third party) in the Acquisition and the other Transactions, (iv) those Governmental Approvals, registrations, filings and Permits required in connection with the assignment of the Assumed Bonds Obligations and (v) such other Governmental Approvals, registrations,

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declarations, filings or permits the failure to obtain or make which would not reasonably be expected to have a Purchaser Material Adverse Effect.

SECTION 3.04 Sufficiency of Funds. Purchaser has, and at the Closing will have, sources of available funds sufficient to satisfy, no later than the date they become due, all of its obligations under this Agreement and to consummate the Transactions. Purchaser has sufficient financial resources to operate the Business after the Closing.

SECTION 3.05 Going Concern. Purchaser intends to use the Transferred Assets as part of a viable, ongoing business engaged in producing, distributing and selling building products.

SECTION 3.06 Litigation. There are no Actions pending or, to the knowledge of Purchaser, threatened against Purchaser or any of its affiliates that would reasonably be expected to adversely affect Purchaser's performance under this Agreement or the ability of Purchaser to consummate the Transactions.

SECTION 3.07 Finders' Fees. Neither Purchaser nor any of its affiliates or representatives has entered into any agreement or understanding that will result in any obligation of Seller, any other member of the Seller Group or any of their affiliates to pay any finder's fee, brokerage commission or similar payment in connection with the Transactions.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

As of the date hereof and (unless otherwise stated in this Article IV) as of the Closing Date, Seller represents and warrants to Purchaser that, except as disclosed (in the manner contemplated in Section 11.04), in the letter, dated as of the date of this Agreement, from Seller to Purchaser (the "Seller Disclosure Letter"):

SECTION 4.01 Organization, Standing and Power; Capital Structure of the Transferred Entities.

(m) Each of Seller and the Transferred Entities is duly organized, validly existing and in good standing (or its equivalent status) under the Laws of the jurisdiction in which it is organized and has full power and authority, and the Seller Group possesses all governmental franchises, licenses, permits, authorizations and approvals necessary to enable it to own, lease or otherwise hold its properties, assets and rights which constitute Business Assets and to conduct the Business in all material respects as presently conducted. Each of Seller and the Transferred Entities is duly qualified to do business (including registration as a foreign entity, as applicable) in each jurisdiction where the nature of the Business or the ownership or leasing of the Business Assets makes such qualification necessary, except where the failure to so qualify would not reasonably be expected to have a Business Material Adverse Effect. Seller has delivered to Purchaser true and complete copies of the Transferred Entities' organizational documents, as amended up to and including the date of this Agreement.

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(n) As of the date of this Agreement, (i) TSE and El Morro are wholly-owned subsidiaries of TIN and (ii) TIN is a wholly owned subsidiary of Temple-Inland and (iii) Temple-Inland is a wholly owned subsidiary of Seller. All the Transferred Equity Interests have been duly authorized, validly issued and (to the extent representing capital stock) are fully paid and non-assessable. Subject to Section 6.05(c), at the Closing, Seller will cause to be transferred and delivered to Purchaser good and valid title to the Transferred Equity Interests, free and clear of all Liens other than the Permitted Liens. El Morro (i) is, and at all times has been, a passive holding company, (ii) other than the Hope Bonds, has not had, and does not have, any Liabilities or commitments (actual or contingent, present or future), (iii) other than the nominal shares of the El Morro Subsidiaries which were divested in 2012 and the Hope Bonds, has not had and does not own have any assets, and (iv) has never had, and does not have, any employees.

SECTION 4.02 Authority; Execution and Delivery; Enforceability.

(c) Seller has the corporate power and authority to execute and deliver each Transaction Document to which it is or is contemplated to be a party, to perform its obligations thereunder and to consummate the Transactions. The execution, delivery and performance by Seller of each Transaction Document to which it is or is contemplated to be a party and the consummation by Seller of the Transactions have been duly and validly authorized by all requisite corporate action on the part of Seller. Seller has duly executed and delivered this Agreement, and, assuming due authorization, execution and delivery by the other parties hereto, this Agreement constitutes its legal, valid and binding obligation, enforceable against Seller in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally or by principles governing the availability of equitable remedies). At or prior to the Closing, Seller will have duly executed and delivered each other Transaction Document to which it is or is contemplated to be a party, and, assuming due authorization, execution and delivery by the other parties thereto, each other Transaction Document to which it is or is contemplated to be a party will constitute its legal, valid and binding obligation, enforceable against it in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally or by

principles governing the availability of equitable remedies).

(d) The board of directors of Seller, at a meeting duly called and held, duly adopted resolutions approving the entry into of this Agreement and the other Transaction Documents to which Seller is or is contemplated to be a party, the Acquisition and the other Transactions. No vote or consent of the holders of any class or series of capital stock of Seller is necessary to consummate the Transactions.

SECTION 4.03 No Conflicts; Governmental Approvals.

(a) Except as set forth in Section 4.03(a) of the Seller Disclosure Letter, the execution and delivery by Seller of each Transaction Document to which it is a party do

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not, the execution and delivery by Seller of each Transaction Document to which it is contemplated to be a party will not, and the consummation of the Transactions and compliance with the terms hereof and thereof will not, conflict with, or result in any violation of or default (or an event that, with or without notice or lapse of time or both, would become a default) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to a loss of a material benefit under, or to increased, additional, accelerated or guaranteed rights or entitlements of any Person under, or result in the creation of any Lien upon any of the Transferred Equity Interests or upon any of the Business Assets, Assumed Liabilities or the Business under, any provision of (i) the articles of incorporation or the bylaws (or comparable charter or organizational documents) of Seller, any other member of the Seller Group or any Transferred Entity, (ii) any material Transferred Contract or any other material Contract to which Seller or any other member of the Seller Group is a party or by which any of their respective properties or assets is bound, or (iii) subject to the filings, consents and other matters referred to in Section 4.03(b), any material Judgment or Law applicable to Seller or any other member of the Seller Group, the Business, the Transferred Equity Interests or the Business Assets.

(b) No Governmental Approval of, or registration, declaration or filing with, or permit from, any Governmental Entity is required to be obtained or made by or with respect to Seller or any other member of the Seller Group in connection with the execution, delivery and performance of any Transaction Document to which Seller is a party or the consummation of the Transactions, other than (i) authorizations, consents or exemptions, as the case may be, from the STB and any other applicable Governmental Entity in order for Purchaser to acquire the stock of TSE and acquire and operate the Rail Facilities and other assets of TSE, and exercise rights under the other agreements contemplated by this Agreement, as applicable, (ii) compliance with and filings and notifications under the HSR Act and any other Review Laws, (iii) those that may be required solely by reason of the participation of Purchaser or any subsidiary of Purchaser (as opposed to any third party) in the Acquisition and the other Transactions, (iv) compliance with and filings by Seller with the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), (v) those Governmental Approvals, registrations, filings and permits required in connection with the assignment of the Assumed Bonds Obligations, and (vi) such other Governmental Approvals, registrations, declarations, filings or permits (A) set forth in Section 4.03(b) of the Seller Disclosure Letter or (B) the failure to obtain or make which would not reasonably be expected to interfere with Seller’s ability to consummate the Transactions or materially affect the operations of the Business.

SECTION 4.04 Financial Statements. Section 4.04 of the Seller Disclosure Letter sets forth (a) certain audited financial statements of the Business (the “Audited Financial Statements”) and (b) certain unaudited financial statements of the Business, without notes (the “Interim Financial Statements,” and together with the Audited Financial Statements, collectively, the “Business Financial Statements”). Except as disclosed in the Business Financial Statements or in Section 4.04 of the Seller Disclosure Letter, the Business Financial Statements (x) fairly present, in all material respects, the financial position of the Business and the results of its

operations and its cash flows as of the dates thereof and for the periods covered thereby, (y) have been prepared in accordance with GAAP, consistently applied during the periods involved, and (z) have been prepared from the Records of the Business and the Seller Group. Seller maintains accurate Records reflecting its assets and Liabilities and maintains proper and adequate internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of annual financial statements for external purposes in accordance with GAAP.

SECTION 4.05 No Undisclosed Liabilities. To the knowledge of Seller, neither Seller nor any other member of the Seller Group has any Liabilities related to the Business that are not reflected or provided for in the most recent balance sheet included in the Business Financial Statements except for (a) the Permitted Liens, (b) Liabilities incurred since the date of such balance sheet in the ordinary course of business consistent with past practice and (c) Liabilities disclosed in Section 4.05 of the Seller Disclosure Letter.

SECTION 4.06 Absence of Certain Changes or Events. Except as set forth in Section 4.06 of the Seller Disclosure Letter, during the period from September 30, 2012 through the date of this Agreement, (a) the Business has been conducted only in the ordinary course consistent with past practice, (b) there has not been any Effect or Effects that, individually or in the aggregate, has had or would reasonably be expected to have a Business Material Adverse Effect, (c) there has not been (i) any damage, destruction, loss or casualty to property or assets of the Business including the Business Assets, which damage, destruction, loss or casualty has a value in excess of \$6,500,000, whether or not covered by insurance or (ii) any failure of equipment included in the Business Assets (other than ordinary wear and tear) which failure costs in excess of \$6,500,000, whether or not covered by insurance, and (d) there has not been any action by Seller or any other member of the Seller Group with respect to the Business that, if taken during the period from the date of this Agreement through the Closing Date, would constitute a breach of Section 5.01.

SECTION 4.07 Taxes.

(a) With respect to the Business Assets and the Business (but excluding Del-Tin), for all periods through and including the Closing Date, (i) Seller has (A) duly and timely filed each material Tax Return required to be filed (taking into account extensions), and all such Tax Returns were true, complete and correct in all material respects, (B) timely paid all material Taxes other than Taxes being contested in good faith and which have been properly reserved for, (C) to the knowledge of Seller, collected and remitted all material sales and use Taxes to the appropriate Taxing Authority or has obtained, in good faith, any applicable sales or use Tax exemption certificates, (D) to the knowledge of Seller, complied in all material respects with all legal requirements relating to the withholding and payment of Taxes, including Taxes required to be withheld and paid with respect to amounts owed by the Business (excluding the Transferred Entities) to any employee, creditor, independent contractor or other third party and (E) to the knowledge of Seller, duly and timely filed each material report, return, document, declaration or other filing required to be supplied to any Governmental Entity with respect to any abandoned or unclaimed property and, all such filings were true, complete

and correct in all material respects and amounts owed as shown on such filings were timely remitted to the appropriate Governmental Entity, (ii) no deficiencies for material Taxes or other assessments relating to Taxes have been proposed or assessed, (iii) to the knowledge of Seller, no written claim has been made by a Taxing Authority in a jurisdiction in which the Seller or the Seller Group does not file a Tax Return such that the Business Assets or the

Business is or may be subject to material taxation by that jurisdiction, and (iv) no material Lien for Taxes exists, is pending or, to the knowledge of Seller, is threatened due to a failure to pay any Tax, and no outstanding claims for material Taxes have been asserted in writing.

(b) For all periods through and including the Closing Date, (i) each material Tax Return required to be filed (taking into account extensions) by or on behalf of or including the Transferred Entities has been duly and timely filed, and all such Tax Returns were true, complete and correct in all material respects, (ii) all material Taxes owed by the Transferred Entities have been timely paid, other than Taxes being contested in good faith and which have been properly reserved for, and (iii) to the knowledge of Seller, the Transferred Entities have complied in all material respects with all legal requirements relating to the withholding and payment of Taxes, including Taxes required to be withheld and paid with respect to amounts owed to any employee, creditor, independent contractor or other third party, (iv) no deficiencies for material Taxes of the Transferred Entities or other assessments relating to Taxes of the Transferred Entities have been proposed or assessed, (v) to the knowledge of Seller, no written claim has been made by a Taxing Authority in a jurisdiction in which any of the Transferred Entities does not file a Tax Return such that any of them is or may be subject to material taxation by that jurisdiction, (vi) no Transferred Entity has engaged in a "listed transaction," as defined in Section 6707A(c)(2) of the Code or Treasury Regulations Section 1.6011-4(b)(2), or any transaction requiring disclosure under any comparable or similar Law, (vii) no Lien for material Taxes exists or is pending or, to the knowledge of Seller, threatened against the Transferred Entities due to a failure to pay any Tax, and no outstanding claims for material Taxes have been asserted in writing and (viii) no Transferred Entity has ever been the "distributing corporation" or the "controlled corporation" (in each case, within the meaning of Section 355(a)(1) of the Code) with respect to a transaction described in or intended to be governed by Section 355 of the Code (A) within the two-year period ending as of the date of this Agreement, or (B) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) that includes the transactions contemplated by this Agreement.

(c) Except as set forth in Section 4.07(c) of the Seller Disclosure Letter and to the knowledge of Seller, no material Taxes with respect to the Business Assets, the Business (but excluding Del-Tin) or the Transferred Entities are currently under audit, examination or investigation by any Taxing Authority or the subject of any ongoing judicial or administrative proceeding, contest or litigation. To the knowledge of Seller, no Taxing Authority has asserted or threatened in writing to assert any deficiency, claim or issue with respect to material Taxes or any adjustment to material Taxes with respect to

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the Business Assets, the Business or the Transferred Entities with respect to any taxable period for which the period of assessment or collection remains open, and no extension or waiver of any period of assessment or collection that remains open has been executed by or on behalf of the Transferred Entities. None of the Transferred Entities (i) has any actual liability under Treasury Regulations Section 1.1502-6 or any similar Law as a transferee or successor, as a result of any contractual obligation, or otherwise for any Taxes of any other Person, or (ii) will be required to include any item of income in, or exclude any item of deduction from, taxable income for any period (or any portion thereof) ending after the Closing Date, as a result of any (A) change in method of accounting for a taxable period (or portion thereof) ending on or before the Closing Date, including under Section 481(a) of the Code or any comparable or similar Law, (B) installment sale or other open transaction disposition made on or prior to the Closing Date, (C) prepaid amount received on or prior to the Closing Date, (D) closing agreement described in Section 7121 of the Code or any comparable or similar Law executed on or prior to the Closing Date, (E) intercompany transaction or excess loss account described in Treasury Regulations Section 1.1502 (or any comparable or similar Law) or (F) indebtedness discharged in connection with any election under Section 108(i) of the Code. To the knowledge of Seller, the transactions contemplated by this Agreement will not terminate any Tax incentive, holiday or abatement.

(d) Notwithstanding any provisions to the contrary contained herein, this Section 4.07 and Section 4.08

constitute the sole and exclusive representations with respect to Taxes.

SECTION 4.08 Employee Benefits; ERISA Compliance.

(a) Section 4.08(a) of the Seller Disclosure Letter contains a true, complete and correct list of each “employee pension benefit plan” (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) (“Pension Plans”), each “employee welfare benefit plan” (as defined in Section 3(1) of ERISA) (“Welfare Plans”) (whether or not such Pension Plans or Welfare Plans are subject to ERISA) and all other bonus, pension, profit sharing, deferred compensation, incentive compensation, stock or other equity ownership, stock or other equity purchase, stock or other equity appreciation, restricted stock or other equity, stock or other equity repurchase rights, stock or other equity option, phantom stock, other equity-based, performance, retirement, vacation, severance or other plan, arrangement or understanding maintained, contributed to or required to be maintained or contributed to by Seller or any other member of the Seller Group, providing benefits to any current or former Business Employee and/or employee of the Transferred Entities (collectively, “Business Benefit Plans”); provided, however, that Business Benefit Plans mandated by applicable Law are not required to be listed. Section 4.08(a) of the Seller Disclosure Letter contains a list of each employment, consulting, indemnification, severance, termination, change in control, retention, bonus, salary continuation, non-compete, non-solicitation or similar agreement or arrangement respecting the terms and conditions of employment or payment of compensation, or of a relationship between Seller or any other member of the Seller

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Group, on the one hand, and any individual current or former Business Employee, or engaged primarily in the Business, on the other hand, for which Seller or any other member of the Seller Group has any obligation (collectively, “Business Benefit Agreements”): Seller has delivered or made available to Purchaser true, complete and correct copies of each Business Benefit Plan and each Business Benefit Agreement required to be listed in Section 4.08(a) of the Seller Disclosure Letter.

(b) Each Business Benefit Plan intended to be qualified under Section 401(a) of the Code, and the trust forming a part thereof, has received a favorable determination letter from the IRS, and, to the knowledge of Seller, nothing has occurred since the date of such determination letter that could adversely affect such qualification. All contributions required to have been made by Seller and any Person that would be or, over the past six years, would have been treated as a single employer with Seller for purposes of Section 414(b), (c), (m) or (o) of the Code (an “ERISA affiliate”) to each Business Benefit Plan under the terms of such plan or pursuant to any applicable collective bargaining agreement or applicable Law have been made within the time prescribed by such Business Benefit Plan and applicable Law. Each Business Benefit Plan has been administered in accordance with its terms and is in compliance with all applicable Laws.

(c) None of Seller or any ERISA affiliate has incurred any material Controlled Group Liability. For purposes of this Agreement, “Controlled Group Liability” means any and all Liabilities (i) under Title IV of ERISA, other than for payment of premiums to the Pension Benefit Guaranty Corporation, (ii) under Section 302 or 4068(a) of ERISA, (iii) under Section 412(n) or 4971 of the Code, and (iv) for violation of the continuation coverage requirements of Sections 601 et seq. of ERISA and Section 4980B of the Code or the group health requirements of Sections 9801 et seq. of the Code and Sections 701 et seq. of ERISA. No asset or property of Seller or any ERISA affiliate is or may be subject to any Lien arising under Section 430(k) of the Code or Section 303(k) of ERISA.

(d) Section 4.08(d) of the Seller Disclosure Letter contains a list of each Multiemployer Plan to which Seller contributes with respect to the Business and the Transferred Employees. Seller has not incurred a “complete withdrawal” or a “partial withdrawal” (as such terms are defined in Sections 4203 and 4205, respectively, of ERISA)

since the effective date of such Sections 4203 and 4205 with respect to any such Multiemployer Plan for which any Liability remains outstanding and the Transactions will not result in such a “complete withdrawal” or “partial withdrawal” with respect to any Multiemployer Plan. Del-Tin has no obligation to contribute to any Multiemployer Plan.

SECTION 4.09 Litigation. Except as set forth in Section 4.09 of the Seller Disclosure Letter, there is no Action pending or, to the knowledge of Seller, threatened against or affecting Seller or any other member of the Seller Group that relates to the Business, the Transferred Equity Interests or the Business Assets other than Actions claiming monetary Liabilities less than \$300,000 individually or related or similar Actions claiming monetary Liabilities less than \$1,000,000 in the aggregate, nor is there any Judgment outstanding against

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Seller or any other member of the Seller Group that relates to the Business, the Transferred Equity Interests or the Business Assets. This Section 4.09 does not relate to environmental matters, which are the subject of Section 4.11, or Intellectual Property or Technology matters, which are the subject of Section 4.13.

SECTION 4.10 Compliance with Applicable Laws. Except as set forth in Section 4.10 of the Seller Disclosure Letter:

(a) With respect to the Business and the Business Assets only, since the IP Ownership Date, and to the knowledge of Seller for the two years preceding the IP Ownership Date, (i) Seller and all other members of the Seller Group are, and have been in compliance, in all material respects, with all applicable Laws, including with all Laws related to (y) labeling, warning and other requirements of the Safe Drinking Water and Toxic Enforcement Act of 1986, commonly known as California Proposition 65, and (z) labeling, warning and other requirements of CARB II, and (ii) neither Seller nor any other member of the Seller Group has received any communication from a Governmental Entity that alleges that Seller or any other member of the Seller Group is not in compliance in any material respect with any applicable Law. With respect to the Business and the Business Assets, Seller and the other members of the Seller Group

(x) are not currently under any Contract with any Governmental Entity and (y) are not debarred or suspended from doing business with any Governmental Entity.

(b) Since the IP Ownership Date, neither Seller nor any other member of the Seller Group, nor any of their directors, officers, employees, or agents has taken any action that would cause the Business to be in violation of the United States Foreign Corrupt Practices Act of 1977, the rules and regulations promulgated thereunder (the “FCPA”) or any other anti-corruption Law applicable in any jurisdiction in which the Business conducts business. No Action, request for information, or subpoena is currently pending or, to the knowledge of Seller, threatened concerning any actual, alleged, or suspected violation of the FCPA, or of any other applicable anti-corruption Law, that involves the Business, the Business Employees, the Business Assets or any activities or operations of the Business. To the knowledge of Seller, no due diligence review of TIN or its subsidiaries by Seller or any of its affiliates prior to the IP Ownership Date revealed any violation of the FCPA or of any other applicable anti-corruption Law involving the Business, the Business Employees, the Business Assets or any activities or operations of the Business.

(c) Seller and the other members of the Seller Group are, and since the IP Ownership Date, have been, with respect to the Business, in compliance in all material respects with all Laws governing the export, re-export, import, sale, purchase, and any other provision of goods and services (“Trade”) in the jurisdictions in which the Business operates, including but not limited to the Laws of the U.S. governing embargoes, sanctions, and boycotts, the Arms Export Controls Act (22 U.S.C. 2778), the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), the Export Administration Act of 1979 (50 U.S.C. app. 2401-2420), the International Traffic in Arms Regulations (22 C.F.R. 120 et seq.), the Export Administration Regulations

(15 C.F.R. 730 et. seq.), the Foreign Trade Regulations (15 C.F.R. Part 30) and all rules, regulations and executive orders relating to any of the foregoing, the Laws administered by the Office of Foreign Assets Controls of the U.S. Department of the Treasury, the Laws administered by U.S. Customs and Border Protection, and the Laws administered by the Bureau of Alcohol, Tobacco, Firearms, and Explosives of the U.S. Department of Treasury (collectively, "Export Control Laws"). No Action, request for information, or subpoena is currently pending or, to the knowledge of Seller, threatened concerning or relating to violations of the Export Control Law by the Business. Seller and the other members of the Seller Group have not filed, and presently do not have a known basis to submit, any disclosures to any U.S. or foreign government or government agency, including without limitation, prior or voluntary disclosures concerning or relating to violations of applicable Laws involving or related to Trade, including, without limitation, Export Control Laws by the Business. Seller and the other members of the Seller Group have not undergone since the IP Ownership Date, and are not currently undergoing, an audit related to compliance with respect to any Export Control Laws. Additionally, neither Seller nor the other members of the Seller Group are currently, or have been since the IP Ownership Date, named by a U.S. government agency as a "Denied Party," "Restricted Party," or "Specially Designated National," as the terms are commonly used in the U.S. export field, or had their ability to conduct Trades restricted by a U.S. government agency.

(d) The cogeneration facility at the Pineland Mill is used for the Pineland Mill's own internal electrical energy supply and no electrical energy has been sold to any third party, including any Governmental Entity or utility company.

(e) This Section 4.10 does not relate to matters with respect to compliance with ERISA, which are the subject of Section 4.08, or environmental matters, which are the subject of Section 4.11.

SECTION 4.11 Environmental Matters.

(a) Except as set forth in Section 4.11(a) of the Seller Disclosure Letter:

(iii) with respect to the Business and the Business Assets, Seller and its subsidiaries are, and during the past five years have been, in compliance in all material respects with all Environmental Laws. Since the IP Ownership Date, neither Seller nor any other member of the Seller Group has received any written notice (the substance of which has not been materially resolved) that alleges that the Business or any of the Business Assets is in material violation of, or has material Liability under, any Environmental Law;

(iv) to the knowledge of Seller and solely with respect to the Business, (A) Seller and the other members of the Seller Group have obtained and are in compliance in all material respects with all Permits pursuant to Environmental Laws necessary for the Business as currently conducted and the use of the Business Assets (collectively, "Environmental Permits"), (B) all such

Environmental Permits are valid and in good standing, (C) neither Seller nor any other member of the Seller Group has been advised by any Governmental Entity of any materially adverse actual or potential change in the status or terms and conditions of any such Environmental Permit, (D) Seller and the other members of the

Seller Group have made all filings required by such Environmental Permits, including without limitation, the timely application for renewal of those permits, and any other filing required by applicable Environmental Laws, and (E) the Business Assets, including the facilities and production equipment (including any environmental monitoring or emission control equipment), are in such condition so as to ensure compliance in all material respects with Environmental Laws and Permits while operating at the maximum production rates allowed by such Environmental Permits;

(v) as of the date of this Agreement and the Closing Date, there are no Actions pursuant to any Environmental Law ("Environmental Proceedings") pending or, to the knowledge of Seller, threatened against or affecting Seller or any other member of the Seller Group relating to the Business or the Business Assets;

(vi) as of the date of this Agreement and the Closing Date and solely with respect to the Business, to the knowledge of Seller, there have been no Releases of any Hazardous Material by the Business or at, on, under or from the Business Real Property that have formed or could form the basis of any Environmental Proceeding against Seller or any other member of the Seller Group or that have formed or could form the basis of any investigation or remediation pursuant to Environmental Laws by Seller or any other member of the Seller Group; and

(vii) as of the date of this Agreement and the Closing Date and solely with respect to the Business, to the knowledge of Seller, neither Seller nor any other member of the Seller Group has assumed, either contractually or by operation of Law, any material Liabilities that have formed or could form the basis of any Environmental Proceeding against Seller or any other member of the Seller Group or that have formed or could form the basis of any investigation or remediation pursuant to Environmental Laws by Seller or any other member of the Seller Group, in each case relating to the Business or the Business Assets, including locations not owned or controlled by Seller or other members of the Seller Group.

(b) Seller has provided Purchaser with copies of the Phase I environmental site assessments identified in Section 4.11(b) of the Seller Disclosure Letter.

(c) Seller and the other members of the Seller Group have furnished to Purchaser true, complete and correct copies of all environmental audits, assessments, data and reports (including emissions data) and all other documents materially bearing on Environmental Liabilities that have been conducted or prepared since the IP Ownership

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Date solely with respect to the Business which are in their possession or under their reasonable control. Since the IP Ownership Date, Seller and the other members of the Seller Group have conducted and completed all testing and other evaluations required to be completed under any Environmental Laws with respect to the Business and the Business Assets.

(d) Notwithstanding any provision to the contrary, the representations and warranties in this Section 4.11 (and Section 4.17) constitute the sole representations and warranties by Seller with respect to environmental matters.

SECTION 4.12 Real Property; Other Assets.

(a) Section 1.02(a)(i)(A) of the Seller Disclosure Letter lists all parcels of Real Property that are owned by Seller or any other member of the Seller Group and that are used or held for use exclusively in the Business, by the address by which it is commonly known or its tax block and lot number or other description (together with the interests of Seller or such other member of the Seller Group in any structures or improvements thereon and easements or other similar rights appurtenant thereto, the "Owned Real Property"). Section 4.12(a) of the Seller Disclosure

Letter lists all parcels of Real Property that are owned by the Transferred Entities (other than any Excluded Assets), by the address by which it is commonly known or its tax block and lot number or other description; provided, however, Sections 1.02(a)(i)(A) and 4.12(a) of the Seller Disclosure Letter are limited to parcels of Real Property and are not required to list or describe any mineral rights and interests, gypsum reserves, easements, restrictive covenant rights, declarant rights, land use approvals, impact fee credits, development rights and rights of way pertaining thereto or accruing to the benefit thereof or any other appurtenances or real property rights pertaining thereto.

(b) Section 1.02(a)(i)(B) of the Seller Disclosure Letter lists all parcels of Real Property in which Seller or any other member of the Seller Group holds a leasehold interest as lessee or sublessee and that is used or held for use exclusively in the Business (together with the interests of Seller or such other member of the Seller Group in any structures or improvements thereon and easements or other similar rights appurtenant thereto, the "Leased Real Property"). Section 4.12(b) of the Seller Disclosure Letter lists all parcels of Real Property in which a Transferred Entity holds a leasehold interest as lessee or sublessee (other than Excluded Assets); provided, however, that Sections 1.02(a)(i)(B) and 4.12(b) of the Seller Disclosure Letter are limited to parcels of Real Property and are not required to list or describe any mineral rights and interests, gypsum reserves, easements, restrictive covenant rights, declarant rights, land use approvals, impact fee credits, development rights and rights of way pertaining thereto or accruing to the benefit thereof or any other appurtenances or real property rights pertaining thereto. Seller has made available to Purchaser a true and complete copy of each lease agreement under which the Leased Real Property and the leased Real Property required to be listed on Section 4.12(b) of the Seller Disclosure Letter is held. Except as set forth in Section 4.12(b) of the Seller Disclosure Letter, each such lease agreement is valid, binding and in full force and effect in all material respects (except to the extent any of them expires in

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accordance with its terms), and there is no material default under any such lease agreement by Seller, any other member of the Seller Group, any Transferred Entity or, to the knowledge of Seller, by any other party thereto.

(c) Seller or another applicable member of the Seller Group, or a Transferred Entity has (i) fee simple title to the Owned Real Property, the Rome Real Property and the Real Property required to be listed on Section 4.12(a) of the Seller Disclosure Letter, (ii) leasehold interests in the Leased Real Property and the leased real property required to be listed on Section 4.12(b) of the Seller Disclosure Letter, and (iii) other than with respect to Intellectual Property (which is the subject of Section 4.13), title to all other material Business Assets, in each case, free of any Liens, except for Permitted Liens and with respect to Owned Real Property, the Rome Real Property and the Real Property required to be listed on Section 4.12(a) of the Seller Disclosure Letter, monetary Liens that will be discharged at or prior to the Closing except as otherwise provided in Section 6.04(f).

(d) Section 4.12(d) of the Seller Disclosure Letter lists all leases with respect to any Bond Leased Property.

(e) Except as set forth in Section 4.12(e) of the Seller Disclosure Letter and other than Permitted Liens, the Business Real Property is in compliance with all conditions, covenants, restrictions, building codes, zoning ordinances and Laws applicable to each such Business Real Property, except for those matters that would not reasonably be expected to interfere in any material respect with the present use, operation or occupancy thereof.

(f) Except as set forth on Section 4.12(f) of the Seller Disclosure Letter or for the Permitted Liens, Seller has not received any written notice that the whole or any portion of the Owned Real Property or the Real Property required to be listed on Section 4.12(a) of the Seller Disclosure Letter is subject to any governmental decree or order to be sold or is being condemned, expropriated or otherwise taken by any Governmental Entity with or without payment of compensation therefor.

(g) Except as provided for in the Title Policies, Permitted Liens and the Ancillary Agreements and solely as it applies to the Rome Real Property and the Diboll Real Property, neither Seller nor Purchaser will be required to grant any easement or right-of-way to the other party or any other third party solely as a result of the Transactions in order for the Business to operate in the ordinary course of business, consistent with past practice.

SECTION 4.13 Intellectual Property.

(a) Section 4.13(a) of the Seller Disclosure Letter sets forth the Transferred Intellectual Property that is registered or subject to an application for registration and that, in each case, is material to the Business. Except for the Intellectual Property and Technology (collectively, the "Intellectual Property Rights") that is the subject of claims

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set forth in Section 4.13(b) of the Seller Disclosure Letter (to the extent of such claims), the Transferred Intellectual Property and Transferred Technology that are material to the Business as conducted since the IP Ownership Date will be, to the extent owned by or licensed to Seller or any other member of the Seller Group immediately prior to the Closing, owned by, licensed to or sublicensed to Purchaser or the Transferred Entities after giving effect to the Patent License Agreement and the other Transactions and will be free of any Liens other than (i) Permitted Liens and (ii) Liens created by the Patent License Agreement. Except for the Intellectual Property Rights that are the subject of claims set forth in Section 4.13(b) of the Seller Disclosure Letter (to the extent of such claims), as of the date of this Agreement Seller or another member of the Seller Group is the sole and exclusive owner of, and has valid title to, the Transferred Intellectual Property and, to the knowledge of Seller, the Transferred Technology (collectively, the "Seller Intellectual Property Rights").

(b) Except as set forth in Section 4.13(b) of the Seller Disclosure Letter, no Actions are pending or, to the knowledge of Seller, threatened against Seller or any other member of the Seller Group by any Person (i) claiming that Seller or any other member of the Seller Group has infringed or misappropriated any material Intellectual Property Right in the Business or (ii) challenging the validity, ownership, patentability, enforceability, registrability or use by Seller or any other member of the Seller Group of any material Seller Intellectual Property Right. Except as set forth in Section 4.13(b) of the Seller Disclosure Letter and except for those matters that, individually or in the aggregate, have not been and would not reasonably be expected to be material to the Business, to the knowledge of Seller, no Person is infringing or misappropriating the rights of Seller or any other member of the Seller Group with respect to any Seller Intellectual Property Right. As of the date of this Agreement, there are no cancellations, oppositions, interferences, re-examinations or other contested proceedings, either pending or, to the knowledge of Seller, threatened in the United States Copyright Office, the United States Patent and Trademark Office, or any Governmental Entity relating to any Transferred Intellectual Property or Transferred Technology. No Transferred Intellectual Property or Transferred Technology is subject to any outstanding Judgment, consent, settlement, agreement or stipulation restricting in any manner the use, transfer or licensing thereof by the Business.

(c) With respect to the Transferred Intellectual Property, all due and owed maintenance and renewal fees and renewal filings with respect to each registration, issuance and application have been paid or filed, as the case may be, except for failures to pay or file that would not reasonably be expected to have a Business Material Adverse Effect.

(d) To the knowledge of Seller, none of the Transferred Intellectual Property or Transferred Technology that is material to the Business has been or is being used by Seller or any other member of the Seller Group in a manner that would reasonably be expected to result in the cancellation or unenforceability of such Transferred Intellectual Property or Transferred Technology.

(e) To the knowledge of Seller, the operation of the Business as it is currently conducted does not infringe or misappropriate the Intellectual Property Rights of any third party.

(f) Since the IP Ownership Date, Seller or any other member of the Seller Group, as applicable, has taken commercially reasonable steps to protect and maintain the secrecy and confidentiality of the trade secrets and confidential information of the Seller Intellectual Property Rights.

SECTION 4.14 Material Agreements.

(a) Section 1.02(a)(vii) of the Seller Disclosure Letter includes the Business Material Agreements as of the date of this Agreement, except for the Contracts set forth in Section 1.02(b)(xv) of the Seller Disclosure Letter. For the purpose of this Agreement, the term "Business Material Agreements" means any of the following Contracts, to which Seller or any other member of the Seller Group is a party and that is used or held for use primarily in, or that arises primarily out of, the Business:

(i) any written employment Contract that cannot be terminated by Seller at any time with no ongoing Liability or that has an aggregate future Liability in excess of \$100,000 or any collective bargaining agreement or other Contract with any labor union or other employee representative body;

(ii) any covenant not to compete or restricting the development, marketing or distribution of the products of the Business that materially limits the conduct of the Business as currently conducted or that limits or restricts any Business Employee from engaging in any business in any jurisdiction;

(iii) any Contract for capital expenditures, the acquisition or construction of fixed assets or the purchase or sale of materials, supplies, power generation, equipment, raw materials, packaging or commodities (other than spot purchase or sales orders for Inventory in the ordinary course of business) that has an aggregate future Liability to any Person in excess of \$1,500,000 or is not terminable by notice of not more than 90 days for a cost of less than \$50,000;

(iv) any management, service, consulting or other similar Contract (other than Contracts for services in the ordinary course of business, including transportation and warehousing Contracts) which has an aggregate future Liability to any Person in excess of \$300,000 and is not terminable by notice of not more than 90 days for a cost of less than \$50,000;

(v) any Contract under which Seller or any other member of the Seller Group has incurred any Indebtedness to any Person (other than Seller or any other member of the Seller Group) that, individually, is in excess of \$250,000;

(vi) any Contract (including any so-called take-or-pay or keep well agreement) under which (A) any Person (other than Seller or any other member of the Seller Group) has directly or indirectly guaranteed Indebtedness, Liabilities of Seller or any other member of the Seller Group or (B) Seller or any other member of the Seller Group has directly or indirectly guaranteed Indebtedness, Liabilities of any Person, other than Seller or any other member of the Seller Group (in each case other than endorsements for the purpose of collection in the ordinary course of business), in any such case which, individually, is in excess of \$250,000;

(vii) any material Contract granting a Lien upon any of the Business Assets or any of the Transferred Equity Interests, which Lien is not a Permitted Lien;

(viii) any Contract with (A) Seller or any of its affiliates or any entity in which Seller or one of its affiliates owns more than 25% of the voting or economic interests thereof or (B) any officer, director or employee of Seller or any of its affiliates (in each case, other than Contracts (1) that shall be terminated as of the Closing or (2) relating to the employment of such officer, director or employee by Seller or any of its affiliates);

(ix) any lease, sublease or similar Contract with any Person (other than Seller or any other member of the Seller Group) under which Seller or any other member of the Seller Group is a lessor or sublessor of, or makes available for use to any Person (other than Seller or any other member of the Seller Group), (A) any Owned Real Property or Real Property required to be listed on Section 4.12(a) of the Seller Disclosure Letter, (B) any Leased Real Property or leased Real Property required to be listed on Section 4.12(b) of the Seller Disclosure Letter, (C) any portion of any premises otherwise occupied by Seller or any other member of the Seller Group, or (D) any other properties or assets (whether real, personal or mixed, tangible or intangible) owned or leased by Seller or any other member of the Seller Group, in each case, which has a term of over one year, specifies annual payments in excess of \$50,000 or would impair the operation of the Business Assets in the ordinary course of business;

(x) any lease or similar Contract with any Person (other than Seller or any other member of the Seller Group) under which Seller or any other member of the Seller Group is lessee of, or holds or uses, any machinery, equipment, vehicle or other properties or assets (whether real, personal or mixed, tangible or intangible) owned by any Person, which lease or similar Contract has an aggregate future liability in excess of \$250,000 or is not terminable by notice of not more than 90 days for a cost of less than \$50,000;

(xi) any Contract with any Person (other than Seller or any other member of the Seller Group) with respect to any partnership or joint venture, strategic alliance or sharing of any profits;

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(xii) any Contract with any Person (other than Seller or any other member of the Seller Group) providing for indemnification of any Person with respect to Liabilities relating to the Business, the Transferred Equity Interests or the Business Assets, other than the constitutive documents of Seller or any other member of the Seller Group, and marketing agreements, property leases and other commercial agreements entered into in the ordinary course of business;

(xiii) any material Contract granting or restricting the right to use any of the Seller Intellectual Property Rights or under which any Person is obligated to pay or has the right to receive a royalty, license fee, franchise fee or similar payment;

(xiv) any Contract that (A) requires Seller or any other member of the Seller Group to use any supplier or third party for all or substantially all of Seller's or such member's requirements or needs, (B) requires Seller or any other member of the Seller Group to provide to other parties "most favored nation" pricing (C) is considered a so called take-or-pay or keep well agreement or requires a Person to purchase or sell a stated portion of its requirements or outputs, (D) requires any Person to provide products or services at a fixed price, (E) obligates any Person to provide or obtain products or services for a period of one year or more, or (F) provides for an exclusive sales, brokerage or distribution relationship;

(xv) any stock purchase agreement, asset purchase agreement or other acquisition or divestiture agreement, including any agreement relating to the acquisition, sale, lease or disposal of any asset constituting part of the Business or the Business Assets (other than capital expenditures and purchases or sales of Inventory in the ordinary course of business) involving (A) a purchase price in excess of \$1,000,000 or (B) continuing indemnity or other obligations (1) of the Business or (2) that will constitute obligations of Purchaser after the Closing;

(xvi) any Contract that provides for an increased payment or benefit, or accelerated vesting, upon execution of this Agreement or the Closing or in connection with the Transactions;

(xvii) any Contract for the cleanup, abatement or other actions in connection with any Hazardous Materials, the remediation of any existing environmental condition or relating to the performance of any environmental audit or study;

(xviii) any Contract granting to any Person an option or a right of first refusal, right of first-offer or similar preferential right to sell or purchase or acquire any asset;

(xix) any written agreement for the supply of power to any of the Business Real Property and any improvements thereon;

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(xx) any Contract that involves any exchange traded, over-the-counter or other swap, hedge, cap, floor, collar, futures Contract, forward Contract, option or other derivative financial instrument or Contract, based on any commodity, security, instrument, asset, rate or index of any kind or nature whatsoever, whether tangible or intangible, including commodities, currencies, interest rates, foreign currency and indices, if any;

(xxi) any supply Contract (or group of related supply Contracts) for the provision of goods or services to Seller or any other member of the Seller Group that requires, or is reasonably expected to result in, payment by Seller or any other member of the Seller Group of more than \$500,000 annually;

(xxii) any other Contract that has an aggregate future Liability to any Person (other than Seller or any other member of the Seller Group) in excess of \$500,000, is not terminable by notice of not more than 90 days for a cost of less than \$100,000 or is otherwise material to the Business, other than (A) purchase orders or sales orders entered into in the ordinary course of business after the date of this Agreement and not in violation of this Agreement and (B) leases for Leased Real Property;

(xxiii) any Contract to provide labor services which, if terminated upon Closing, would materially affect any Business facility's ability to operate in the normal course of business; or

(xxiv) any Contract relating to the consignment of Inventory and any Contract pursuant to which Seller or any other member of the Seller Group holds inventory or other goods on consignment for third-parties.

(b) Each of the Business Material Agreements set forth or required to be set forth in Section 1.02(a)(vii) of the Seller Disclosure Letter or entered into after the date of this Agreement in accordance with Section 5.01 is or will be valid, binding and in full force and effect in accordance with its terms in all material respects except to the extent any of them expires in accordance with its terms and except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally, and general principles of equity (regardless of whether such enforceability is

considered in a proceeding in law or equity) and except that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. Except as set forth in Section 4.14(b) of the Seller Disclosure Letter, neither Seller nor any other member of the Seller Group, nor, to the knowledge of Seller, any other party to any Business Material Agreement, has violated any provisions of, or committed or failed to perform any act that, with or without notice, lapse of time, or both, would constitute a default under the provisions of any Business Material Agreement, other than defaults that are immaterial. Except as set forth in Section 4.14(b) of the Seller Disclosure Letter, neither Seller nor any other member of the Seller Group has received

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any written notice of the intention of any party to terminate any Business Material Agreement. True, correct and complete copies of each written Business Material Agreement set forth or required to be set forth in Section 1.02(a)(vii) of the Seller Disclosure Letter (including all written modifications and amendments thereto and waivers thereunder), other than customer Contracts and other Contracts noted in Section 1.02(a)(vii) of the Seller Disclosure Letter, have been made available to Purchaser. True, correct and complete copies of each written Business Material Agreement entered into after the date of this Agreement (including all written modifications and amendments thereto and waivers thereunder), other than customer Contracts, will have been made available to Purchaser prior to the Closing.

Section 4.03(a) of the Seller Disclosure Letter identifies each Business Material Agreement that requires the consent of or notice to the other party thereto to avoid any breach, default or violation of such Contract, in connection with the Transactions, including the assignment of such Business Material Agreement to Purchaser.

SECTION 4.15 Sufficiency of Assets.

(a) The Business Assets, together with the Transferred Equity Interests and the rights and services to be made available to Purchaser pursuant to the Transition Services Agreement, Patent License Agreement, the Hope Bonds Assignment and Assumption Agreements, the Stumpage Exchange Supply Agreement, the Rome Lease and the other Ancillary Agreements constitute the assets, rights and services necessary and sufficient to permit the Business to be conducted immediately following the Closing in accordance with Seller's past practices, other than any inability to conduct the Business in accordance with Seller's past practices arising out of the absence of any asset or service contained in Section 4.15(a) of the Seller Disclosure Letter. The Business Assets are adequate for the purposes for which such assets are currently used or are held for use, and are in reasonably good maintenance and repair and operating condition (subject to normal wear and tear). Except as set forth in Section 4.15(a) of the Seller Disclosure Letter, TIN and the Transferred Entities own or hold all Business Assets.

(b) Except for (y) transfers of employees or assets in the ordinary course of business or (z) transfers of employees or assets set forth in Section 4.15(b) of the Seller Disclosure Letter, since December 31, 2011, there have not been (i) any transfers of employees from the Business to the Seller Business or (ii) any transfers or sales by the Business of assets that would have constituted Business Assets but for such transfer or sale.

(c) Section 4.15(c) of the Seller Disclosure Letter sets forth a true, complete and correct list of each item of tangible personal property of the Business having a book value of more than \$100,000 as of September 30, 2012.

(d) Except as set forth in Section 4.15(d) of the Seller Disclosure Letter, the Transferred Inventory, both as of the date hereof and on the Closing Date, (i) is sufficient for the operation of the Business in the ordinary course of business consistent with past practice, (ii) is of a quality and quantity presently usable in the ordinary course of

business consistent with past practice (subject to applicable reserves), and (iii) is not on consignment from a third party.

SECTION 4.16 Labor Matters.

(a) Except for the Contracts set forth in Section 4.16(a) of the Seller Disclosure Letter and any collective bargaining agreements entered into after the date of this Agreement in accordance with Section 5.01, neither Seller nor any other member of the Seller Group is a party to or bound by any collective bargaining agreement with respect to any Business Employees, and to the knowledge of Seller, as of the date of this Agreement there are no labor unions or other similar organizations representing, purporting to represent or publicly declaring their intention (including through pending representation petitions) to represent any Business Employee. From the IP Ownership Date to the date of this Agreement, there has not occurred or, to the knowledge of Seller, been threatened any material strike, slowdown, picketing, work stoppage, concerted refusal to work overtime or other similar labor activity with respect to any Business Employee, except as would not reasonably be expected to have a Business Material Adverse Effect. To the knowledge of Seller, Seller and each other member of the Seller Group have complied in all material respects with all provisions of applicable Law pertaining to the employment of the Business Employees, including all such Laws relating to labor relations, equal employment, fair employment practices, entitlements, prohibited discrimination, workers' compensation or other similar employment practices or acts, except for instances of non-compliance that would not reasonably be expected to have a Business Material Adverse Effect.

(b) Seller has provided to Purchaser true, complete and correct copies of all personnel policies and employee handbooks utilized in the Business. Seller has not received a claim from any Governmental Entity to the effect that Seller has improperly classified as an independent contractor any Person, or any of such independent contractor's employees, and no basis for such a claim exists. Seller has not received a notification from the U.S. Department of Homeland Security, the Social Security Administration or any other Governmental Entity that the social security number it has for one or more of the Business Employees does not match the Records of such Governmental Entity. Seller has not received a claim from any Governmental Entity to the effect that Seller has improperly classified any of the Business Employees as exempt or unexempt from overtime under the FLSA and no basis for such a claim exists. Seller has not made any verbal commitments to any officer, employee or former employee, consultant or independent contractor with respect to hire, compensation, promotion, retention, termination, severance, provision of benefits or similar matters in connection with the Transactions or otherwise.

SECTION 4.17 Permits. Seller and the other members of the Seller Group hold all Permits material to the Business as currently conducted and the use of the Business Assets as currently used, including all air Permits, stormwater Permits and wastewater discharge Permits. To the knowledge of Seller, all such Permits are validly held by Seller or such member of the Seller Group and, during the past three years, Seller and each other member of the Seller Group

have complied in all material respects with the terms and conditions of each such Permit. There are no material defects in the environmental, zoning, or other Permits pertaining to the operation of the Business Assets. During the past three years, neither Seller nor any other member of the Seller Group has received written notice of any Action against Seller or any other member of the Seller Group seeking any revocation or material modification of any such Permits. All such Permits that are held by Seller and the other members of the Seller Group as of the date of this Agreement are listed in Section 1.02(a)(vi) of the Seller Disclosure Letter, and all such Permits and any filings made with respect thereto as required by applicable Laws,

including Environmental Laws, have been provided to Purchaser. Section 4.03(b) of the Seller Disclosure Letter identifies each Permit set forth therein that requires the consent of or notice to a Governmental Entity to avoid any breach, default or violation of such Permit in connection with the Transactions, including the assignment of such Permit to Purchaser. No loss or expiration of any such Permit is pending, reasonably foreseeable or, to the knowledge of Seller, threatened (other than expiration upon the end of any term).

SECTION 4.18 Transactions with Affiliates; Intercompany Accounts.

(a) Except as set forth in Section 4.18(a) of the Seller Disclosure Letter, other than for the compensation received as employees as previously disclosed to Purchaser, neither Seller, any other member of the Seller Group nor any director or officer of Seller or any other member of the Seller Group has, or will have after giving effect to the Closing, any interest in (i) any Contract, arrangement or understanding with, or relating to, the Business, the Business Assets or the Assumed Liabilities that would be included in the definition of Transferred Contracts, (ii) any loan, arrangement, understanding, agreement or Contract for or relating to the Business or the Business Assets, or (iii) any property (real, personal or mixed), tangible or intangible, used or currently intended to be used by Seller or any other member of the Seller Group in the Business.

(b) All accounts payable and accounts receivable that are included in the calculation of Net Working Capital and are between Seller or its affiliates, on the one hand, and the Business or any of the Transferred Entities, on the other hand, are bona fide payables or receivables entered into in the ordinary course of business.

SECTION 4.19 Customer and Supplier Relations.

(a) Section 4.19(a) of the Seller Disclosure Letter contains a true, complete and correct list of the names and addresses of the Suppliers organized by Segment and the amount of purchases from each such Supplier during the 12-month period ended September 30, 2012. Except as set forth in Section 4.19(a) of the Seller Disclosure Letter, since the IP Ownership Date, (i) to the knowledge of Seller, no event has occurred that has materially and adversely affected the Business's relations with any Supplier, and (ii) no Supplier has cancelled, terminated or, to the knowledge of Seller, made any threat to cancel or otherwise terminate any of its Contracts with Seller.

(b) Section 4.19(b) of the Seller Disclosure Letter contains a true, complete and correct list of the Customers organized by Segment (without listing specific

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Customer names) and the amount of purchases by each such Customer during the 12-month period ended September 30, 2012. Except as set forth in Section 4.19(b) of the Seller Disclosure Letter, since the IP Ownership Date, (i) to the knowledge of Seller, no event has occurred that has materially and adversely affected the Business's relations with any Customer, (ii) no Customer has cancelled, terminated or, to the knowledge of Seller, made any threat to cancel or otherwise terminate any of its Contracts with Seller, and (iii) no Customers have made any written complaints to Seller or any other member of the Seller Group relating to the quality of the products manufactured by the Business.

SECTION 4.20 Shared Business Arrangements. Section 4.20 of the Seller Disclosure Letter lists all Enterprise Contracts under which the Business had expenses in 2011 in excess of \$500,000 or that is otherwise material to the Business.

SECTION 4.21 Finders' Fees. Neither Seller nor any member of the Seller Group or their representatives has entered into any agreement or understanding that will result in any obligation of Purchaser or any of its affiliates to pay any finder's fee, brokerage commission or similar payment in connection with the Transactions.

SECTION 4.22 Gypsum Wallboard Operations. Seller and the other members of the Seller Group have furnished to

Purchaser true, complete and correct copies of all audits, assessments, data and reports within their possession or under their reasonable control concerning (i) the nail pull resistance of gypsum board manufactured by the Business for 2012 and (ii) the presence of (A) sulfur gas emissions (specifically carbon disulfide and carbonyl sulfide), (B) elemental sulfur or (C) mercury, in each case, in gypsum board since October 2009.

SECTION 4.23 No Other Representations or Warranties. Seller acknowledges that none of Purchaser or its affiliates or any of their respective representatives has made, or is making, any representation or warranty whatsoever to Seller other than the representations and warranties of Purchaser expressly provided in this Agreement or the Ancillary Agreements.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

SECTION 5.01 Conduct of Business. Except for matters set forth in Section 5.01 of the Seller Disclosure Letter, otherwise expressly permitted by this Agreement or the other Transaction Documents, required by applicable Law or consented to in writing by Purchaser, from the date of this Agreement to the Closing Date, with respect to the Business, Seller shall, and shall cause all other members of the Seller Group to, (i) conduct the Business in all material respects in the ordinary course of business in a manner consistent with past practice since the IP Ownership Date and, to the extent consistent therewith, use commercially reasonable efforts to preserve intact the goodwill and the current business organization of the Business, (ii) maintain the material rights, licenses and permits of the Business, (iii) keep available the services of the Business Employees, (iv) preserve the material business relationships of the Business with customers, suppliers, distributors and others with whom the Business deals in the ordinary course of business, (v) maintain in existing condition and repair (ordinary wear and tear excepted), consistent with past practice, the Business Assets, (vi) maintain supplies and inventory at levels

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that are in the ordinary course of business consistent with past practice, (vii) use commercially reasonable efforts to perform all of its obligations under all Transferred Contracts in all material respects, and (viii) make capital expenditures in the ordinary course of business consistent with past practice. In addition, and without limiting the generality of the foregoing, except for matters set forth in Section 5.01 of the Seller Disclosure Letter or otherwise expressly permitted by this Agreement or the other Transaction Documents or required by applicable Law, from the date of this Agreement to the Closing Date, Seller shall not, and shall not permit any other member of the Seller Group to, do any of the following with respect to the Business, the Transferred Equity Interests or the Business Assets without the prior written consent of Purchaser:

(e) transfer or lease any Business Asset other than in the ordinary course of business or enter into, grant, permit or suffer to be incurred any encumbrances, covenants or restrictions with respect to any Business Asset in each case other than Permitted Liens;

(f) except as set forth in Section 6.16 with respect to Del-Tin, acquire or agree to acquire, in a single transaction or a series of related transactions, whether by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, limited liability company, joint venture, association or other business organization or division thereof or any other Person, if any of the foregoing is material to the Business, except for capital expenditures and acquisitions of Inventory, in each case in the ordinary course of business consistent with past practice;

(g) (i) with respect to the Business Employees, adopt, enter into, terminate, amend, extend or renew any (A) collective bargaining agreement, other than as required by applicable Law or immaterial amendments in connection with resolving a grievance claim, or (B) Business Benefit Plan or Business Benefit Agreement, or (ii) increase in any

manner the compensation or benefits of, or pay any bonus to, any Business Employee, other than increases in base salary or payments of bonuses in the ordinary course of business consistent with past practice or as required to comply with any Business Benefit Plan or Business Benefit Agreement in effect on the date of this Agreement, except, in the case of each of clause (i) and (ii) above, (1) as required to ensure that any Business Benefit Plan or Business Benefit Agreement in effect on the date of this Agreement is not then out of compliance with applicable Law, (2) as specifically required pursuant to this Agreement or the terms of any Business Benefit Plan or Business Benefit Agreement in effect on the date of this Agreement, (3) for the payment of any bonus for which Purchaser will not be responsible, or (4) if such action does not result in any material Liability to Purchaser or the Business; provided, however, neither Seller nor any other member of the Seller Group shall take any action described in this paragraph other than those with general applicability to all of the Business Employees with respect to any person whose annualized compensation is \$100,000 or more or whose annual compensation for the 12 month period following the date hereof is expected to be \$100,000 or more;

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(h) make any material change in the Business's financial accounting principles, policies and practices that were employed in connection with the preparation of the Business Financial Statements, except insofar as may have been required by any applicable Law or a change in GAAP (solely to the extent such change would be binding on Purchaser or any of its affiliates);

(i) make, change or rescind any Tax election, change any annual Tax accounting period or method of Tax accounting (unless required by applicable Law), file any amended Tax Return (except as provided by Section 9.01(f)) or claim for Tax refunds, enter into any closing agreement, settle or compromise any Tax claim, audit or assessment, affirmatively consent to any extension or waiver of the statute of limitations or surrender any right to claim a Tax refund, offset or other reduction in Tax liability (in each case, solely to the extent such action would be binding on the Transferred Entities or, with respect to the Business Assets, Purchaser or any of its affiliates with respect to any Post-Closing Tax Period);

(j) sell, lease (as lessor), license or otherwise dispose of or make subject to any Lien (i) any equity interest that, if held on the Closing Date, would constitute a Transferred Equity Interest, (ii) any asset that, if held on the Closing Date, would constitute a Business Asset, except (A) dispositions of Inventory and obsolete assets in the ordinary course of business consistent with past practice or except as permitted by Section 5.01(i) with respect to any Business Material Agreement, (B) the Rome Lease, and (C) as set forth in Section 6.16 with respect to Del-Tin, or (iii) make any commitment for any capital expenditure in excess of \$250,000, individually or in the aggregate, other than in the ordinary course consistent with past practice;

(k) enter into or amend any lease (whether such lease is an operating or capital lease) other than (A) renewals of existing leases in the ordinary course of business consistent with past practice, (B) leases entered into in the ordinary course of business consistent with past practice with annual lease payments not in excess of \$350,000, or (C) the Rome Lease;

(l) waive or amend any confidentiality agreement between Seller or any other member of the Seller Group and any Person (other than Seller or any other member of the Seller Group) to the extent such waiver or amendment materially adversely affects the confidentiality of material information related to the Business;

(m) enter into any agreement or arrangement that would, after the Closing Date, materially limit or restrict (i) the Business from being conducted in any geographic area or (ii) Purchaser, its affiliates or the Transferred Entities from engaging in any business in any geographic area;

(n) (i) except in the ordinary course of business consistent with past practice and except as contemplated

herein or otherwise in connection with the Transaction Documents, (A) modify, amend, enter into or terminate any Business Material Agreement or any provision of the articles of incorporation or the bylaws (or comparable charter or

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organizational documents) of any Transferred Entity, or (B) modify, amend, enter into or terminate any Business Material Agreement or (ii) waive, release or assign any material rights or claims of Seller or any other member of the Seller Group primarily relating to the Business, the Transferred Equity Interests or the Transferred Assets, other than waivers or releases thereof in the ordinary course of business consistent with past practice;

(o) (i) incur, assume or guarantee any Indebtedness related in any way to the Business, the Business Assets or the Transferred Entities other than short-term borrowings incurred in the ordinary course of business consistent with past practice and except for any Indebtedness or guarantees (x) for which Seller and the other members of the Seller Group shall be solely obligated from and after the Closing, or (y) that are outstanding as of the date of this Agreement or (ii) make any loans, advances or capital contributions to, or investments in, any other Person not affiliated with Seller or any other member of the Seller Group, other than, in the case of this clause (ii), as contemplated by the Del-Tin Operating Agreement and/or such items in an amount not to exceed \$100,000 individually or \$500,000 in the aggregate;

(p) (i) transfer the employment of any Business Employee from the Business to the Seller Business, (ii) transfer any assets or Liabilities between the Business, on the one hand, and the Seller Business, on the other hand, other than (x) any transfer of Inventory, raw materials, supplies and spare parts in the ordinary course of business consistent with past practice or (y) any transfer of Excluded Assets or Retained Liabilities of the Business or the Transferred Entities, or (iii) enter into or amend any agreement or arrangement among any of the members of the Seller Group that would bind the Business after the Closing;

(q) consummate any "spin-off" of all or any portion of the Business Assets outside of the ordinary course of business;

(r) adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization, or any other transaction that would preclude or be inconsistent in any material respect with, or hinder or delay in any material respect, the Transactions;

(s) transfer or relocate any equipment or machinery of Seller or any other member of the Seller Group that is used or held for use exclusively in the Business and has a book value or fair market value in excess of \$350,000 individually or \$3,500,000 in the aggregate, regardless of whether such transfer or relocation is in the ordinary course of business consistent with past practice; or

(t) authorize any of, or commit or agree to take any of, the foregoing actions.

SECTION 5.02 Notice of Certain Events. Seller shall promptly advise Purchaser of any Effect that has had or would reasonably be expected to have a Business Material Adverse Effect. For each calendar month ending during the time period from the date hereof until the

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Closing Date, Seller shall provide to Purchaser unaudited management financial statements for such calendar month within two Business Days of the receipt of such statements by Seller, but, in any event, within 10 Business Days of the last day of such calendar month.

ARTICLE VI

ADDITIONAL AGREEMENTS

SECTION 6.01 No Use of Retained Names. Purchaser shall, and shall cause its affiliates (including, after the Closing, the Transferred Entities) to as soon as practicable following the Closing, and in any event within 120 days after the Closing Date, (a) make all necessary filings and take all other necessary actions to discontinue any use of and any references to the Retained Names, (b) revise print advertising, product labeling and all other information or other materials, including any internet or other electronic communications vehicles, to delete all uses of and references to the Retained Names, and (c) change signage and stationery and otherwise discontinue use of the Retained Names. Purchaser shall, and shall cause its affiliates (including, after the Closing, the Transferred Entities) and the Business to, cease manufacturing products bearing the Retained Names within 30 days after the Closing Date. In no event shall Purchaser or any of its affiliates (including, after the Closing, the Transferred Entities) use any Retained Names (i) more than 120 days after the Closing, in any manner or (ii) at any time after the Closing, for any purpose different from the use of such Retained Names by any member of the Seller Group during the 120-day period preceding the Closing Date. With respect to the Transferred Inventory and Inventory produced in accordance with the foregoing provisions of this Section 6.01, Purchaser may continue to sell such Inventory, notwithstanding that it or its labeling or packaging bears one or more of the Retained Names, for a period of time after the Closing not to exceed one year; provided that Purchaser shall use commercially reasonable efforts to sell any such Inventory bearing one or more of the Retained Names before selling similar Inventory that does not bear any of the Retained Names. None of the foregoing provisions of this Section 6.01 shall be construed to obligate Purchaser or any of its affiliates to require any wholesaler, retailer or other merchant or customer of the Business to conduct itself in accordance therewith. After the Closing Date, Purchaser shall cause the Transferred Entities to file applications to amend or terminate any certificate of assumed name or d/b/a filings that have been made by the Transferred Entities within 30 days after Purchaser shall have become aware of such assumed name or d/b/a filing so as to eliminate the right of Purchaser and its affiliates (including the Transferred Entities) to use the Retained Names in such assumed name or d/b/a filing.

SECTION 6.02 Access to Information; Confidentiality.

(i) Upon reasonable written notice, following the Closing Date, Purchaser shall, and shall cause its affiliates to afford to Seller and its affiliates and their officers, employees, accountants, counsel, financial advisors and other representatives reasonable access during normal business hours to all properties, plants, books, systems, Contracts, commitments, personnel and Records to the extent relating to the Business, including, in connection with any Action in which Seller or any of its affiliates is involved, originals of the same, for so long as such information is retained by Purchaser or any of its affiliates under the relevant retention policies of such party then in effect (but in any event for a

period of not less than five years following the Closing Date) and, during such period, Purchaser shall, and shall cause its affiliates to, furnish promptly to Seller all other information concerning the Business as Seller may reasonably request; provided, however, such access shall not unreasonably disturb the operations of the Business, Purchaser or any of its affiliates. Purchaser shall retain, or cause to be retained, all books and Records (including originals) of the Business relating to periods ending on or prior to the Closing Date until the fifth anniversary of the Closing Date. After the fifth anniversary of the Closing Date, Purchaser may dispose of any books or Records referred to in this Section 6.02; provided that Purchaser shall give Seller at least 90 days' prior written notice of such intention and Seller shall have the right to remove and retain all or any part of such books and Records as it may

elect.

(j) Upon reasonable written notice, prior to and following the Closing Date, Seller and each other member of the Seller Group shall, and shall cause its subsidiaries to afford to Purchaser and its affiliates and their officers, employees, accountants, counsel, financial advisors and other representatives reasonable access during normal business hours to all properties, plants, books, systems, Contracts, commitments, personnel and Records to the extent relating to the Business (including, in connection with any Action in which Purchaser or any of its affiliates is involved, originals of the same), for so long as such information is retained by Seller or any other member of the Seller Group under the relevant retention policies of such party then in effect (but in any event for a period of not less than five years following the Closing Date) and, during such period, Seller and each other member of the Seller Group shall, and shall cause its subsidiaries to, furnish promptly to Purchaser all other information concerning the Business as Purchaser may reasonably request; provided, however, such access shall not unreasonably disturb operations of the Business, Seller or any other member of the Seller Group. Seller and the other members of the Seller Group shall retain, or cause to be retained, all books and Records (other than the Transferred Records) (including originals) of the Business relating to periods ending on or prior to the Closing Date until the fifth anniversary of the Closing Date. After the fifth anniversary of the Closing Date, Seller and the other members of the Seller Group may dispose of any books or Records referred to in this Section 6.02; provided that Seller shall give Purchaser at least 90 days' prior written notice of such intention and Purchaser shall have the right to remove and retain all or any part of such books and Records as it may elect.

(k) Notwithstanding the foregoing, any party may withhold (i) any documents (or portions thereof) or information that such party is obligated to keep confidential from the requesting party pursuant to the terms of a confidentiality agreement with a third party, (ii) any document (or portions thereof) or information that constitutes privileged attorney-client communications or attorney work product and the transfer of which, or the provision of access to which, as reasonably determined by such party's counsel, constitutes a waiver of any such privilege (after taking into account any joint defense agreement that may be entered into by Seller and Purchaser) and (iii) any document (or portion thereof) or information relating to pricing or other matters that are highly competitively sensitive if the exchange of such document (or portion thereof) or

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information, as reasonably determined by such party's counsel, might reasonably result in a violation of antitrust Laws by such party or any of its affiliates. If any material is withheld by such party pursuant to the proviso to the preceding sentence, such party shall inform the other party as to the general nature of what is being withheld, and the parties shall use commercially reasonable efforts to obtain any consents necessary, or restructure the form of access, so as to permit the access requested. If so requested by either Seller or Purchaser, Seller and Purchaser shall enter into a customary joint defense agreement with respect to the documents and information accessed pursuant to this Section 6.02.

(l) After the Closing Date, except in the case of an Action by one party against another party, each party hereto shall use commercially reasonable efforts to make available to each other party during normal business hours, upon written request, the former, current and future directors, officers, employees, other personnel and agents of members of the Business as witnesses, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) may reasonably be required in connection with any Action in which the requesting party may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all third party costs and expenses in connection therewith; provided, however, that such other party shall first consult with the requesting party with respect to costs and expenses of third-party service providers that are expected to be incurred in connection with the request before incurring such costs and expenses and shall not, without the consent of the requesting party, incur such third-party service provider costs and expenses if it would not have incurred such costs

and expenses in response to its own need for comparable information arising in its other businesses.

(m) Seller shall keep confidential, and shall cause its affiliates and instruct its and their officers, directors, employees and advisors to keep confidential, all information relating to the Business, including any information provided by Purchaser to Seller or Seller's representatives pursuant to Section 2.03(f), except as required by applicable Law, legal or administrative process, or rules of any stock exchange or stock market and except for information which is available to the public on the Closing Date, or thereafter becomes available to the public other than as a result of a breach of this Section 6.02(e). The covenant set forth in this Section 6.02(e) shall terminate two years after the Closing Date.

(n) Prior to the Closing, all information provided to Purchaser pursuant to this Section 6.02 that would constitute Evaluation Material (as defined in that certain Confidentiality Agreement, dated as of August 1, 2012, by and between Seller and GP (the "Confidentiality Agreement")), if provided prior to the date hereof, shall be held by Purchaser as such and shall be subject to the Confidentiality Agreement.

(o) The Confidentiality Agreement shall terminate as of the Closing Date.

(p) After the Closing, Purchaser shall, and shall cause its affiliates (including the Transferred Entities) to, instruct all Transferred Employees to promptly erase, delete

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or otherwise destroy and keep confidential all non-public Seller information (whether in print, electronic or other forms) in the possession of any Transferred Employee that does not constitute a Transferred Asset.

SECTION 6.03 Supplemental Disclosure. Seller shall from time to time prior to the Closing supplement or amend the Sections of the Seller Disclosure Letter referenced in Article IV with respect to any matter hereafter arising that, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Seller Disclosure Letter; it being understood that in doing so, Seller shall not be permitted to supplement or amend any other Section of the Seller Disclosure Letter. No such supplement or amendment shall be evidence, in and of itself, that the representations and warranties in the corresponding section are no longer true and correct. It is specifically agreed that such Sections of the Seller Disclosure Letter may be supplemented or amended to add, delete or correct material and immaterial items. Any such supplemental or amended disclosure shall be deemed to have cured any breach of any representation or warranty (other than any Seller Fundamental Representation) made by Seller in this Agreement for purposes of determining whether or not the condition set forth in Section 7.03(a)(ii) hereof has been satisfied, but will not be deemed to have cured any breach of any representation, warranty or covenant made by Seller or any other member of the Seller Group in this Agreement, any Ancillary Agreement or any other Transaction Document for any other purpose, including for purposes of determining whether or not there are indemnification obligations and/or Losses under this Agreement. Additionally, subject to Section 6.10(f), no such supplemental or amended disclosure shall be deemed to expand the scope of the Excluded Assets or the Assumed Liabilities or reduce the scope of the Transferred Assets or the Retained Liabilities. All references to any Section of the Seller Disclosure Letter that is supplemented or amended as provided in this Section 6.03 will for all purposes be deemed to be a reference to such Section as so supplemented or amended. Purchaser shall have no right to, and hereby waives any right to, terminate this Agreement under Section 8.01(d)(i)(A) as a result of a breach of any representation or warranty in this Agreement (other than any Seller Fundamental Representation) qualified by any modification or supplement to the Seller Disclosure Letter pursuant to this Section 6.03.

SECTION 6.04 Certain Efforts.

(a) Upon the terms and subject to the conditions set forth in this Agreement, and except as expressly provided in this Section 6.04 and in Section 6.05, each of Seller and Purchaser shall use commercially reasonable

efforts to perform its obligations under this Agreement and shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to cause the Closing to occur, in the most expeditious manner practicable, including (i) obtaining all necessary or advisable actions or non-actions, waivers, consents and approvals from Governmental Entities and promptly making all necessary or advisable registrations and filings (including filings with Governmental Entities, if any) and taking all steps as may be necessary (subject to the requirements and limitations set forth in this Section 6.04 and in Section 6.05) to obtain an approval or waiver from, or to avoid an

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Action by, any Governmental Entity and (ii) providing any notices and obtaining all necessary or advisable consents, approvals or waivers from third parties.

(b) Subject to the requirements and limitations set forth in this Section 6.04 and Section 6.05, Purchaser and Seller shall use commercially reasonable efforts to have any restraint or prohibition of the type described in Section 7.01(b) terminated as promptly as practicable.

(c) Without limiting Section 6.04(a), Seller shall use commercially reasonable efforts to assist Purchaser in obtaining, or causing to be obtained, an additional Permit for Purchaser with respect to each Permit currently used by Seller or another member of the Seller Group in connection with the Business that is not a Transferred Permit pursuant to Section 1.02(a)(vi).

(d) Without limiting any of its other obligations hereunder and notwithstanding anything to the contrary contained in this Agreement, including Section 6.04(a), Purchaser shall make commercially reasonable efforts to obtain all approvals of Antitrust Authorities, and to avoid or eliminate, and minimize the impact of, each and every impediment under any Review Law, in each case so as to enable the Transactions to occur no later than the Termination Date. For purposes of this Section 6.04(d), "commercially reasonable efforts" shall mean (i) working expeditiously with any Antitrust Authority with respect to the Transactions with a view toward resolving any competition issues or concerns, (ii) commencing, participating in or defending any litigation and defending against the entry of any Judgment that would or would be reasonably likely to restrain, prevent or delay the Closing beyond the Termination Date, including defending any lawsuits or Actions up to and including the issuance of a preliminary order, whether judicial or administrative, enjoining or otherwise prohibiting consummation of the Transactions, and/or (iii) proposing, negotiating, committing to and effecting, by agreement, consent decree, hold separate order, trust or otherwise, (A) the sale, divestiture or disposition of any Composite Panel assets, businesses, services, products or product lines of Purchaser (or any of its subsidiaries or affiliates), including any Composite Panel assets, businesses, services, products or product lines of the Panel Products Segment that may be acquired by Purchaser and (B) the creation or termination of relationships, ventures, contractual rights or obligations of Purchaser or its subsidiaries or affiliates relating to Composite Panels. For the avoidance of doubt, the parties hereto acknowledge and agree that none of the actions described in the preceding clause (iii) shall apply to, and neither Purchaser nor any of its affiliates or subsidiaries shall have any obligation to take any such actions with respect to, (x) any assets, businesses, services, products or product lines other than Composite Panels or (y) any assets, businesses services, products or product lines of the Solid Wood Segment or the Gypsum Wallboard Segment.

(e) Seller shall use commercially reasonable efforts to discharge and satisfy at or prior to the Closing, and, to the extent not discharged or satisfied at or prior to the Closing, shall discharge and satisfy as promptly as possible after the Closing, all material

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monetary Liens encumbering the Transferred Assets other than Permitted Liens. With respect to any material non-monetary Liens encumbering the Transferred Assets that are not Permitted Liens, Seller shall use commercially reasonable efforts to discharge and satisfy such Liens at or prior to the Closing, and, to the extent not discharged or satisfied at or prior to the Closing, shall discharge and satisfy such Liens as promptly as reasonably practicable after the Closing, and such obligation may be satisfied by Seller causing the Title Company to insure over such Lien or omit such Lien from the title insurance policy by Seller's payment of an escrow deposit or by Seller's indemnification of the Title Company's losses, claims and damages in respect of any such Lien.

SECTION 6.05 Antitrust Notification and Other Regulatory Filings.

(e) Each of Seller and Purchaser shall (i) file or cause to be filed as promptly as practicable (and, with respect to initial filings under Review Laws, no later than 15 Business Days following the execution and delivery of this Agreement) with the United States Federal Trade Commission (the "FTC"), the United States Department of Justice (the "DOJ"), the STB and any other applicable Governmental Entities all notifications, reports, forms, applications and other filings that may be required or advisable, in the reasonable opinion of Seller or Purchaser, for the Transactions and any supplemental information requested in connection therewith pursuant to the HSR Act or any other Review Law (each, an "Approval Request") and (ii) include in each such Approval Request a request for early termination or acceleration of any applicable waiting or review periods, to the extent available under the applicable Review Laws. Any such Approval Request and supplemental information shall be in substantial compliance with the applicable requirements of the HSR Act and other applicable Review Laws. Each of Seller and Purchaser shall furnish to the other such information and reasonable assistance as the other may reasonably request in connection with its preparation of any filing or submission that is necessary or advisable under the HSR Act and other Review Laws. Purchaser shall keep Seller apprised of the status of, and provide Seller with copies of, any filings or communications with, and any inquiries or requests for additional information from, the FTC, the DOJ, the STB and any other applicable Governmental Entity and shall comply with any such inquiry or request as promptly as practicable. Filing fees and all other fees and expenses required under the HSR Act and other Review Laws shall be borne solely by Purchaser.

(f) Purchaser shall use commercially reasonable efforts to cause the expiration or termination of the applicable waiting periods under the HSR Act and any other Review Law as soon as practicable. Purchaser agrees not to extend, directly or indirectly, any such waiting period or enter into any agreement with a Governmental Entity to delay or not to consummate the Transactions to be consummated on the Closing Date, except with the prior written consent of Seller; provided, however, after consultation with Seller, Purchaser may withdraw any Approval Request on the condition that such Approval Request would be re-filed at a later date (not to exceed 45 days from the date of withdrawal). Purchaser agrees not to have any contact (whether written or oral) with any Governmental Entity in respect of any filing or proceeding contemplated

by this Section 6.05 unless it consults with Seller in advance and, to the extent permitted by such Governmental Entity, gives Seller the opportunity to participate and review and comment on any communications or filings. Without limitation of the foregoing, Purchaser shall provide Seller with copies of all filings and communications contemplated by this Section 6.05 prior to their submission, and Seller will have the opportunity to review and comment on such filings and communications prior to submission.

(g) Notwithstanding the foregoing or anything to the contrary set forth herein, in the event STB authorization

or exemption, as the case may be, is not obtained with respect to the transactions contemplated herein with respect to TSE within 45 Business Days following the date hereof, Purchaser covenants and agrees to enter into a customary voting trust transaction pursuant to which all shares of TSE shall be transferred, pending final action by the STB, into a customary irrevocable voting trust for the benefit of Purchaser as of the Closing Date, and Purchaser shall take all such further actions required to effect such voting trust transaction. Prior to the transfer of the TSE shares into the voting trust, Purchaser shall request an informal STB staff opinion that the terms of the voting trust will insulate Purchaser from unlawful control of the shares of TSE.

SECTION 6.06 Notices. Between the date of this Agreement and the Closing, and except as otherwise limited by applicable Law, (a) Purchaser shall give prompt notice to Seller, and Seller shall give prompt notice to Purchaser, of (i) any representation or warranty made by it contained in any Transaction Document that is qualified as to materiality or Material Adverse Effect becoming untrue or inaccurate in any respect or any such representation or warranty that is not so qualified becoming untrue or inaccurate in any material respect or (ii) the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under any Transaction Document, and (b) Seller shall give prompt notice to Purchaser of (i) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the Transactions and the failure to obtain such consent would result in material Liability to the Business, (ii) any notice or other communication from any Governmental Entity in connection with the Transactions, (iii) any Action commenced or, to the knowledge of Seller, threatened against, relating to or involving or otherwise affecting the Business or the Business Assets that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.09 or that relates to the consummation of the Transactions, (iv) the damage or destruction by fire or other casualty of any Business Asset or part thereof or in the event that any Business Asset or part thereof becomes the subject of any proceeding or, to the knowledge of Seller, threatened proceeding for the taking thereof or any part thereof or of any right relating thereto by condemnation eminent domain or other similar governmental action, or (v) the occurrence of (or, to the knowledge of Seller, the threat of) any material strike, slowdown, picketing, work stoppage, concerted refusal to work overtime or other similar labor activity with respect to any Business Employee; provided, however, that in either case, no such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under the Transaction Documents. Each party acknowledges that the other party does not and will not waive any right it may have under this Agreement as a result of

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such notifications.

SECTION 6.07 Benefit Plans.

(a) Prior Service Credit. From and after the Closing Date, Purchaser shall give or cause the appropriate subsidiary of Purchaser (including the Transferred Entities) to give to each Transferred Employee, except those subject to a CBA, full credit for purposes of eligibility and vesting under any employee benefit plan or arrangement provided, maintained or contributed to by Purchaser or any of its subsidiaries (including the Transferred Entities), and with respect to the severance and vacation plans of Purchaser and any of its subsidiaries, credit for benefit accrual purposes, for such Transferred Employee's service with Seller and its subsidiaries, and with any predecessor employer, to the same extent recognized by Seller and its subsidiaries and affiliates immediately prior to the Closing Date, except as would result in a duplication of benefits.

(b) Assumption of Liabilities. Except as otherwise provided in this Agreement or in Section 6.07(b) of the Seller Disclosure Letter, Seller shall remain solely responsible for all employment and employee benefit-related matters and Liabilities arising out of events occurring prior to Closing with respect to all Transferred Employees and their dependents and beneficiaries under or with respect to any Business Benefit Plan or Business Benefit Agreement, including (i) any required notice of termination, termination or severance pay (contractual, statutory or at common

law) and (ii) all compensation (including deferred compensation), wages, bonuses, holiday pay, benefits (excluding Accrued Vacation Days), source deductions and other remuneration accrued prior to the Closing.

(c) Establishment of Purchaser Benefit Plans; Terms and Conditions of Employment with Purchaser.

Effective as of the Closing, each Transferred Employee shall cease to be an employee of Seller or its affiliates and accordingly shall cease to participate in any Business Benefit Plan (other than as a former employee of Seller or any of its affiliates to the extent, if any, permitted by the terms of such Business Benefit Plan). Effective not later than the Closing Date, Purchaser shall establish or have in effect compensation and benefit plans, programs and arrangements for the benefit of the Transferred Employees (collectively, "Purchaser Benefit Plans") in accordance with this Section 6.07. Purchaser shall at its own cost be responsible to promptly perform the tasks required to obtain any required approval from a Governmental Entity in connection with the establishment and registration and qualification of any Purchaser Benefit Plan. Without limiting the generality of Section 1.07, for the 12 month period commencing on the Closing Date (the "Continuation Period"), Purchaser shall, or shall cause its affiliates to, provide each Transferred Employee with the following: (i) base salary or base wages at a rate not less than that provided to such Transferred Employee immediately prior to the Closing; and (ii) other compensation and employee benefits under the Purchaser Benefit Plans that are substantially similar to those provided to similarly situated employees of Purchaser and its affiliates; provided, with respect to any Transferred Employees who are the subject of any collective bargaining agreements, the compensation and benefits for such Transferred Employees shall be subject to the terms

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of such collective bargaining agreements, and effective as of the Closing Date, Purchaser and its affiliates shall assume all future Liabilities of Seller and its affiliates with respect to compensation and benefits thereunder, provided that Purchaser may, to the extent permitted by the terms of the applicable collective bargaining agreement, modify the benefits for such Transferred Employees, provided that the benefits are substantially equivalent, in the aggregate, as the benefits provided by such collective bargaining agreement.

(d) Certain Welfare Benefits Matters.

(i) With respect to each Purchaser Benefit Plan that is an "employee welfare benefit plan" within the meaning of Section 3(1) of ERISA (collectively, "Purchaser Welfare Plans"), Purchaser shall, subject to the terms of any applicable collective bargaining agreement, (A) waive all limitations as to pre-existing conditions, exclusions and waiting periods and actively-at-work requirements with respect to participation and coverage requirements applicable to the Transferred Employees and their dependents and beneficiaries under the Purchaser Welfare Plans to the extent waived or otherwise satisfied with respect to the employee under the applicable corresponding Business Benefit Plan immediately prior to the Closing Date and (B) provide each Transferred Employee and his or her eligible dependents and beneficiaries with credit under Purchaser Welfare Plans for any co-payments, deductibles and out-of-pocket expenses paid under corresponding Business Benefit Plans prior to the Closing Date in the calendar year in which the Closing Date occurs for purposes of satisfying any applicable deductible, co-insurance or out-of-pocket requirements (and any annual and lifetime maximums) under any Purchaser Welfare Plan in which such Transferred Employee participates.

(ii) Seller shall be solely responsible for compliance with the requirements of Section 4980B of the Code and part 6 of subtitle B of Title 1 of ERISA (such provisions of the Code and ERISA collectively referred to as "COBRA"), including the provision of continuation coverage (within the meaning of COBRA), with respect to all employees and former employees of the Business, and their respective spouses and dependents, for whom a qualifying event (within the meaning of COBRA) occurs at any time prior to or on the Closing Date. The parties expressly agree that Purchaser and the Purchaser Welfare Plans shall have no responsibility for compliance with the health care continuation requirements of COBRA or state law, as applicable, (A) for qualified beneficiaries who previously elected to receive such continuation coverage under

the Seller's Welfare Plans or who between the date of this Agreement and the Closing Date elect to receive continuation coverage, or (B) with respect to those employees or former employees of Seller and its affiliates who became, or may become, eligible to receive such continuation coverage on or prior to the Closing.

(e) Tax-Qualified Savings/401(k) Plan.

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(i) With respect to each Purchaser Benefit Plan, effective not later than the Closing Date, Purchaser or its affiliates shall have in effect one or more defined contribution plans that include a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code (and a related trust exempt from tax under Section 501(a) of the Code) (as applicable, the "Purchaser 401(k) Plan"). Each Transferred Employee who is eligible to participate in the Business 401(k) Plan immediately prior to the Closing Date shall be eligible to participate in the corresponding Purchaser 401(k) Plan as of the Closing Date.

(ii) Purchaser shall cause the Purchaser 401(k) Plan to accept a "direct rollover" to such Purchaser 401(k) Plan of the account balances of each Transferred Employee under the Business 401(k) Plan in which such Transferred Employee participates, if such direct rollover is elected in accordance with applicable Law by such Transferred Employee, excluding the rollover of any participant loans.

(f) No Benefit Plan Asset Transfers. No assets held in trust for any Business Benefit Plan or Business Benefit Agreement shall be transferred to any Purchaser Benefit Plan.

(g) Vesting of Accrued Benefits under Each Benefit Plan. Prior to the Closing Date, Seller and its affiliates shall take actions necessary to provide that contributions and benefits accrued prior to Closing with respect to Transferred Employees under any Business Benefit Plan maintained by Seller or its affiliates and intended to be qualified under Section 401(a) of the Code (excluding any Multiemployer Plan) that are not vested as of immediately prior to the Closing shall vest in full as of immediately prior to the Closing.

(h) Accrued Vacation. Purchaser shall assume and honor all Accrued Vacation Days. For purposes of this Agreement, "Accrued Vacation Days" means, with respect to each Transferred Employee, such Transferred Employee's accrued but unused vacation as of the Closing Date. To the extent that a Transferred Employee is entitled under any applicable Law or any policy of Seller or any of its subsidiaries to be paid for any Accrued Vacation Days, Purchaser shall assume the liability for such vacation days and Purchaser shall indemnify Seller and its subsidiaries for any payments required to be made by Seller or any of its subsidiaries in respect of the Accrued Vacation Days to the extent such Liability is included on the Closing Date Statement (as finally determined in accordance with Section 2.03(c)).

(i) Collectively Bargained Employees.

(i) From and after the Closing Date, Purchaser shall, or shall cause its affiliates to, comply in all material respects with the terms of all collective bargaining agreements listed in Section 6.07(i)(i) of the Seller Disclosure Letter and all collective bargaining agreements entered into by Seller after the date of this Agreement in compliance with Section 5.01 (including all obligations to

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provide employee benefits and/or to contribute to any pension plans) that cover one or more Transferred Employees (each, a “CBA”) as in effect immediately prior to the Closing Date until such time as Purchaser or its affiliates negotiate a new collective bargaining agreement or agreements. Purchaser agrees to recognize the unions listed in Section 6.07(i)(i) of the Seller Disclosure Letter and all unions recognized in compliance with Section 5.01 as the sole and exclusive collective bargaining agents as of the Closing Date and immediately thereafter for the Transferred Employees represented by such unions immediately prior to the Closing Date. Purchaser acknowledges and agrees that all grievances, references and arbitrations under the CBAs that are made, filed, commenced or instituted after the Closing Date, including those based substantially on events or circumstances that occurred, existed or were initiated before the Closing Date, will be the sole responsibility of Purchaser. Notwithstanding anything to the contrary in this Section 6.07, Purchaser further agrees that the provisions of this Section 6.07 shall be subject to any applicable provision of a CBA in respect of Transferred Employees, to the extent such provision is inconsistent with or otherwise in conflict with the provisions of any such CBA.

(ii) Without limiting the generality of Section 6.07(i)(i), Purchaser acknowledges its receipt of copies of the CBAs and its understanding of the applicability of such agreements to the Rome, Georgia solid wood facility and Monroeville, Alabama particleboard facility (the “CBA Facilities”) that are related to the Business and included as part of the Transferred Assets. With respect to the CBA Facilities, Purchaser agrees to (A) recognize USW as the sole and exclusive collective bargaining agent for the employees of the CBA Facilities as of the Closing Date, (B) assume all the obligations of the CBAs until the expiration thereof, and (C) treat the employees of the CBA Facilities as of the Closing Date in accordance with the terms of the applicable CBA. Purchaser or the relevant affiliate of Purchaser may change the number of bargaining unit employees, or make changes in benefit plans for bargaining unit employees, only as provided for in the applicable CBA. The parties agree the USW will be a third party beneficiary of the provisions of this Section 6.07(i)(ii).

(j) WARN Act. Purchaser agrees, with respect to Transferred Employees based in the United States, to provide any required notice under the Worker Adjustment and Retraining Notification Act of 1988, as amended (the “WARN Act”), and any similar Law, and to otherwise comply with the WARN Act and any such other similar Law with respect to any “plant closing” or “mass layoff” (as defined in the WARN Act) or group termination or similar event affecting Transferred Employees from and after the Closing. Purchaser undertakes to indemnify and shall keep indemnified Seller and its affiliates against all Liabilities and all related costs and expenses in respect of any claim brought as a result of any action of Purchaser or its affiliates that would cause any termination of employment of any employees by Purchaser or its affiliates that occurs following the Closing to constitute a “plant closing,” “mass layoff” or group termination or similar event under the WARN Act or any similar federal, state or local Law or regulation

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(collectively, “Plant Closing Liability”). Seller undertakes to indemnify and shall keep indemnified Purchaser and its affiliates against all Liabilities and all related costs and expenses in respect of any claim brought as a result of any action of Seller or its affiliates that would cause any termination of employment of any employees by Seller or its affiliates that occurs prior to or at the Closing to give rise to Plant Closing Liability, or to create any Liability or penalty to Purchaser or its affiliates for any employment terminations under applicable Law. Seller shall not effect any layoffs of any Business Employees in the 180-day period prior to the Closing without Purchaser’s prior written consent.

(k) Administration. Following the date of this Agreement, the parties hereto shall reasonably cooperate in all matters reasonably necessary to effect the transactions contemplated by this Section 6.07, including exchanging information and data relating to workers’ compensation, employee benefits and employee benefit plan coverages

(except to the extent prohibited by applicable Law) and obtaining any Governmental Approvals required hereunder.

(l) Severance. Without limiting the generality of Section 6.07(c), (i) with respect to any TIN Transferred Employee whose employment is terminated by Purchaser or any of its affiliates during the TIN Continuation Period, Purchaser shall provide, or shall cause its affiliates to provide, severance benefits to such TIN Transferred Employee determined and payable in accordance with terms as of the date of this Agreement of the applicable severance benefit plan or policy set forth in Section 6.07(l)(i) of the Seller Disclosure Letter, and (ii) with respect to any Transferred Employee who is not a TIN Transferred Employee whose employment is terminated by Purchaser or any of its affiliates during the Continuation Period, Purchaser shall provide, or shall cause its affiliates to provide, severance benefits to such Transferred Employee that are no less favorable than the severance benefits provided under the severance benefit plan or policy maintained by Seller or any of its affiliates for the benefit of such Transferred Employee immediately prior to the Closing Date, in each case, taking into account all service with Seller, Purchaser and their respective affiliates in determining the amount of severance benefits payable.

(m) Seller's Bonus Plans. On the Closing Date, Seller shall pay, or shall cause its affiliates to pay, to each Transferred Employee who participated in any annual bonus plans other than any hourly gainsharing plans maintained by Seller and its affiliates immediately prior to the Closing Date (each, a "Seller Bonus Plan") a pro rata bonus under such Seller Bonus Plan for the plan year in which the Closing occurs. The recipients and amounts of such pro rata bonuses shall be determined in the sole discretion of Seller.

SECTION 6.08 Fees and Expenses. Except as otherwise expressly provided in any Transaction Document, all fees and expenses (including fees, commissions and expenses of financial institutions, brokers, investment bankers, financial advisors, legal counsel, auditors and title companies) incurred in connection with the Transactions shall be paid by the party incurring such fees or expenses. This Section 6.08 does not relate to (a) Transfer Taxes or Rollback Taxes,

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which are the subject of Section 9.01(c), (b) fees and expenses incurred in connection with obtaining third party consents or Governmental Approvals referred to in Section 1.03(a), which are the subject of Section 1.03(c), (c) the filing and other fees and expenses required under the HSR Act and the other applicable Review Laws which will be handled pursuant to the terms of Section 6.05(a), (d) costs of any arbitration with respect to the Closing Date Statement referred to in Section 2.03(c), and (e) fees and expenses of the Accounting Firm incurred in connection with any disputes regarding the Allocation referred to in Section 9.01(a) or the Straddle Period Tax Returns referred to in Sections 9.01(f)(iii) and 9.01(f)(iv).

SECTION 6.09 Public Announcements. Seller, on the one hand, and Purchaser, on the other hand, shall consult with each other and shall mutually agree upon any press release or other public statements with respect to the Transactions and shall not issue any such press release or make any such public statement prior to such consultation and agreement, except as may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any U.S. national securities exchange, in which case the party proposing to issue such press release or make such public announcement shall use commercially reasonable efforts to consult in good faith with the other party before issuing any such press release or making any such public announcement and shall allow the other party reasonable time to comment on such release or announcement in advance of such issuance. Notwithstanding the foregoing, Purchaser shall be permitted to disclose information related to the Transactions to its lenders and financing sources to the extent required by such parties under agreements with Purchaser and provided that such lenders and financing sources are subject to confidentiality obligations in favor of Purchaser at least as restrictive as those contained herein. Purchaser shall be responsible and indemnify Seller for any breaches of such confidentiality obligations by its lenders or financing sources.

SECTION 6.10 Site Separation; Transition Matters.

(h) Purchaser acknowledges and agrees that the Business includes only portions of the operations conducted

at Seller's facilities located in Rome, Georgia. The land located in Rome, Georgia used exclusively by the Business is more particularly described in Section 6.10(a) of the Seller Disclosure Letter (the "Rome Real Property"). Purchaser further acknowledges and agrees that the Rome Real Property will be leased by Seller to Purchaser at Closing pursuant to the terms of the Rome Lease. Notwithstanding anything to the contrary contained in this Agreement, the Rome Real Property shall in no event constitute a Transferred Asset.

(i) The parties will use the assumptions included in the schedules attached to the form of Transition Services Agreement as guiding principles in defining with greater specificity the services listed on such schedules and the costs associated with such services. Prior to Closing, the parties shall work in good faith to prepare a detailed final description of transition services and estimated costs that will constitute the schedules to the Transition Services Agreement, as contemplated by the Transition Services Agreement.

(j) Purchaser and Seller shall take the actions set forth in Section 6.10(c) of the Seller Disclosure Letter.

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(k) Seller has delivered or caused to be delivered to Purchaser by the appropriate member of the Seller Group, to the extent in the possession of Seller or any member of the Seller Group, true, correct and complete copies of the Surveys and the PZR Reports. Seller shall use its commercially reasonable efforts to cause the Surveys and the PZR Reports to be certified by the third parties preparing such Surveys and PZR Reports to Purchaser and the Title Company.

(l) In the event Closing shall occur after January 31, 2013, Seller shall provide Purchaser with updated copies of each of the Phase I environmental site assessments identified in Section 4.11(b) of the Seller Disclosure Letter. Seller shall use commercially reasonable efforts to assist Purchaser in obtaining reliance letters from its consultant for each such assessment.

(m) Prior to the Closing and with respect to the Diboll, Texas facility, the parties will work together in good faith to better identify that Real Property and those tangible personal property assets related thereto that are used or held for use in the Business in order to determine whether the sections of the Seller Disclosure Letter describing such assets as Transferred Assets or Excluded Assets should be updated. Upon such determination, the Parties will update the applicable sections of the Seller Disclosure Letter to reflect such mutual determination.

SECTION 6.11 Bulk Transfer Laws. Purchaser and Seller hereby waive compliance by Seller, any other member of the Seller Group and Purchaser with the provisions of any so-called "bulk transfer laws," "bulk sale laws" or other similar laws of any jurisdiction in connection with the Transactions.

SECTION 6.12 Refunds and Remittances. After the Closing, if Seller or any of its affiliates receives any refund or other amount which is a Business Asset or is otherwise properly due and owing to Purchaser in accordance with the terms of this Agreement, Seller promptly shall remit, or shall cause to be remitted, such amount to Purchaser at the address set forth in Section 11.02. After the Closing, if Purchaser or any of its affiliates receives any refund or other amount which is an Excluded Asset or is otherwise properly due and owing to Seller or any of its affiliates in accordance with the terms of this Agreement, Purchaser promptly shall remit, or shall cause to be remitted, such amount to Seller at the address set forth in Section 11.02. After the Closing, if Purchaser or any of its affiliates receives any refund or other amount to the extent related to claims (including workers' compensation), litigation or other matters for which Seller is responsible hereunder, and which amount is not a Business Asset, or is otherwise properly due and owing to Seller in accordance with the terms of this Agreement, Purchaser promptly shall remit, or cause to be remitted, such amount to Seller at the address set forth in Section 11.02. After the Closing, if Seller or any of its affiliates receives any refund or other amount to the extent related to claims (including workers' compensation), litigation or other matters for which Purchaser is responsible hereunder, and which amount is not an Excluded Asset, or is otherwise properly due and owing to Purchaser in accordance with the terms of this

Agreement, Seller promptly shall remit, or cause to be remitted, such amount to Purchaser at the address set forth in Section 11.02.

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SECTION 6.13 Covenant Not to Solicit for Employment. For a period of 18 months from and after the Closing Date, (a) Seller shall not, and shall cause its subsidiaries not to, solicit, recruit or hire any Transferred Employee or encourage any such Transferred Employee to leave Purchaser's employment without the prior written consent of Purchaser, and (b) Purchaser shall not, and shall cause its subsidiaries not to, solicit, recruit or hire any Excluded Employee or employee of the Seller Group with whom Purchaser has had contact in connection with the Transactions or encourage any such Excluded Employee or employee of the Seller Group with whom Purchaser has had contact in connection with the Transactions to leave such Seller Group member's employment, as applicable, without the prior written consent of Seller; provided, however, that this Section 6.13 shall not apply to (i) solicitation in the form of a general advertisement or solicitation program that is not specifically targeted at such individuals, or (ii) the employment of any person whose employment by the Business or Seller, as applicable, has been terminated prior to the commencement of employment discussions with the other party, or (iii) persons who are referred by a third party agency through a general search without direction by the Business or Seller, as applicable, to solicit employees of the other party.

SECTION 6.14 Insurance Matters. In the event that, prior to the Closing Date, any Business Asset that is covered under a third party property insurance policy maintained by Seller or under which Seller can make a claim (a "Seller Insurance Policy") suffers any damage, destruction or other physical loss, Seller shall pursue such claim in good faith and surrender to Purchaser after the Closing Date any insurance proceeds received by Seller under any Seller Insurance Policy with respect to such damage, destruction or loss, less any amounts paid towards the restoration of such Business Asset; provided, however, that (a) the benefits of such insurance shall be subject to (and recovery thereon shall be reduced by the amount of) any applicable deductibles and co-payment provisions or any payment or reimbursement obligations of Seller in respect thereof and (b) each of Seller and Purchaser shall be responsible for 50% of the amount of any applicable deductibles. Purchaser acknowledges and agrees that the Seller Insurance Policies will remain the property of Seller and will not insure all or any portion of the Business, the Business Assets or the Transferred Entities or their assets after the transactions contemplated by this Agreement have been completed. Notwithstanding the foregoing or anything to the contrary contained in this Agreement, Seller shall retain and shall have no obligation to surrender to Purchaser any insurance proceeds received by Seller under any Seller Insurance Policy with respect to Losses that Purchaser has recovered pursuant to Article X.

SECTION 6.15 Intercompany Transactions; Guarantees.

(a) Except as specifically provided in Section 6.15(b) or any other provision of this Agreement, in the Ancillary Agreements, or in Section 6.15(a) of the Seller Disclosure Letter, at (and effective immediately prior to) the Closing, Seller will cancel, settle, offset or otherwise repay, and will cause its affiliates (other than the Transferred Entities) to cancel, settle, offset or otherwise repay, all of its or their Liabilities to the Business, and neither Seller nor its affiliates shall have any responsibility for those Liabilities. Except as specifically provided in Section 6.15(b) or any other provision of this Agreement, in the Ancillary Agreements, or in Section 6.15(a) of the Seller Disclosure Letter, at (and effective immediately prior to) the Closing, Seller will cause

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the Business to cancel, settle, offset or otherwise repay all of their Liabilities owed to Seller and its affiliates (other

than the Transferred Entities), and the Business will not have any responsibility for those Liabilities.

(b) Notwithstanding the provisions of Section 6.15(a) to the extent included in the calculation of Net Working Capital, payables and receivables arising from bona fide, arms-length, ordinary-course transactions between Seller or its affiliates, on the one hand, and the Business or any of the Transferred Entities, on the other hand, shall not be cancelled, settled, offset or repaid but instead shall be discharged following the Closing in the ordinary course of business and consistent with past practice.

(c) Each of Seller and Purchaser shall use its commercially reasonable efforts to cause Purchaser to be substituted in all respects, effective as of the Closing Date, for Seller or any other member of the Seller Group under each of the guarantees, leases, indemnities, letters of credit, surety bonds, letters of comfort, commitments, understandings, agreements and other similar instruments or obligations of Seller or any other member of the Seller Group entered into for the benefit of the Business and listed in Section 6.15(c) of the Seller Disclosure Letter, to the extent the Liabilities secured thereby are to be assumed by Purchaser pursuant to this Agreement or any Ancillary Agreement. If Seller and Purchaser are unable to effect such a substitution with respect to any such item listed on Section 6.15(c) of the Seller Disclosure Letter after using their commercially reasonable efforts to do so, Purchaser shall indemnify and hold harmless Seller, and any other member of the Seller Group from and against any Losses that Seller incurs or is liable for resulting from or arising out of or in connection with items to the extent related to the Business; provided, however, that Seller shall not recover for Losses to the extent such Losses arise out of a breach of any representation or warranty by Seller in Section 4.14.

SECTION 6.16 Del-Tin.

(c) Purchaser acknowledges and agrees that as of the date of this Agreement, (i) the TIN JV Interest constitutes a 50% membership interest in Del-Tin, and the Deltic JV Interest constitutes a 50% membership interest in Del-Tin, (ii) all of the Del-Tin Assets constitute Excluded Assets, (iii) Del-Tin is not a member of the Seller Group and (iv) the Del-Tin Business shall not constitute part of the Business. Seller anticipates entering into discussions with Deltic regarding the buy-sell right set forth in the Del-Tin Operating Agreement, which may result in TIN's ownership of the Deltic JV Interest or Deltic's ownership of the TIN JV Interest.

(d) If Deltic becomes the owner of 100% of the membership interests in Del-Tin, (i) any and all proceeds resulting from the sale of the TIN JV Interest to Deltic shall be and remain the sole and exclusive property of TIN, and such proceeds shall constitute Excluded Assets, (ii) all of the Del-Tin Assets shall constitute Excluded Assets, (iii) Del-Tin shall not become a member of the Seller Group, (iv) the Del-Tin Business shall not constitute part of the Business, and (v) all of the Del-Tin Liabilities shall constitute Retained Liabilities.

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(e) If TIN owns less than 100% of the membership interests in Del-Tin as of the Closing, (i) all of the Del-Tin Assets shall constitute Excluded Assets (ii) Del-Tin shall not become a member of the Seller Group, (iii) the Del-Tin Business shall not constitute part of the Business, and (iv) all of the Del-Tin Liabilities shall constitute Retained Liabilities.

(f) If TIN becomes the owner of 100% of the membership interests in Del-Tin on or prior to the Closing Date, effective as of the Closing, (i) Del-Tin shall be deemed a member of the Seller Group, (ii) the Del-Tin Assets shall constitute Transferred Assets, (iii) any Real Property owned by Del-Tin shall constitute Transferred Real Property, (iv) the Del-Tin Business shall constitute part of the Business, (v) Purchaser shall assume, and shall pay, perform and discharge when due the Del-Tin Liabilities to the extent such Liabilities are covered by Section 1.04(b) as a result of Section 6.16(d)(i), (ii), (iii) and (iv) above, (vi) all of the employees of Del-Tin shall constitute Business Employees, (vii) all of the Del-Tin Benefit Plans and the Del-Tin Benefit Arrangements shall constitute Business

Benefit Plans and Business Benefit Agreements, and (viii) Purchaser will not assume any Indebtedness of Del-Tin.

(g) Notwithstanding anything to the contrary contained in this Agreement, if TIN becomes the owner of 100% of the membership interests in Del-Tin after the Closing Date but on or prior to the date that is six months after the Closing Date (such date being referred to as the “Del-Tin Ownership Date”), effective as of the Deferred Del-Tin Closing Date, (i) Del-Tin shall be deemed a member of the Seller Group, (ii) Seller shall cause Del-Tin to transfer, assign and convey to Purchaser, and Purchaser shall acquire and accept from Del-Tin, the Del-Tin Assets, and the Del-Tin Assets shall constitute Transferred Assets, (iii) Seller shall cause Del-Tin to transfer, assign and convey to Purchaser, and Purchaser shall acquire and accept from Del-Tin, any Real Property owned by Del-Tin and such real property shall constitute Transferred Real Property, (iv) the Del-Tin Business shall constitute part of the Business, (v) Purchaser shall assume, and shall pay, perform and discharge when due the Del-Tin Liabilities to the extent such Liabilities are covered by Section 1.04(b) as a result of Section 6.16(d)(i), (ii), (iii) and (iv) above and such Liabilities shall constitute Assumed Liabilities, (vi) all of the employees of Del-Tin shall constitute Business Employees, and Purchaser shall make offers of employment to the Del-Tin employees and establish or have in effect compensation and benefit plans, programs and arrangements for the benefit of the Del-Tin employees all in a manner consistent with the terms of this Agreement, (vii) all of the Del-Tin Benefit Plans and the Del-Tin Benefit Arrangements shall constitute Business Benefit Plans and Business Benefit Agreements, and (viii) Purchaser will not assume any Indebtedness of Del-Tin. The consummation of the purchase and sale of the Del-Tin Assets and the assumption of the Del-Tin Liabilities (the “Deferred Del-Tin Closing” and the date of the Deferred Del-Tin Closing being referred to as the “Deferred Del-Tin Closing Date”) shall occur on such date as is mutually agreed by Purchaser and Seller, but in no event later than sixty (60) days following the Del-Tin Ownership Date.

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(i) At the Deferred Del-Tin Closing, Purchaser shall pay to Seller, by wire transfer of immediately available funds to an account designated in writing by Seller, an amount equal to the Del-Tin Purchase Price (as adjusted in accordance with Section 6.16(f)) and the Deferred Del-Tin Closing shall be effectuated by the execution and delivery by Purchaser, Seller and Del-Tin of instruments of assignment, conveyance and assumption and other documents substantially similar in form and substance to those described in Section 2.02, as applicable.

(ii) The parties acknowledge and agree that: (A) the representations and warranties contained in Article IV with respect to Del-Tin (as a member of the Seller Group), the Del-Tin Assets and the Del-Tin Business shall be deemed to be made as of the Deferred Del-Tin Closing Date; and (B) Purchaser shall not be obligated to consummate the Deferred Del-Tin Closing unless a duly authorized officer of Seller executes and delivers to Purchaser a certificate, dated as of the Del-Tin Closing Date, to the effect that the representations and warranties contained in Article IV with respect to Del-Tin (as a member of the Seller Group) and the Del-Tin Assets and the Business with respect to Del-Tin are true and correct as of the Deferred Del-Tin Closing (subject to the standards specified in Section 7.02(a)(i)).

(h) Del-Tin Purchase Price Adjustment. The parties acknowledge and agree that, if the Del-Tin Closing is effectuated in accordance with Section 6.16(e), the Del-Tin Purchase Price shall be subject to adjustment as set forth in this Section 6.16(f).

(i) Del-Tin Closing Date Statement. Within 90 days after the Deferred Del-Tin Closing Date, Purchaser shall prepare and deliver to Seller a statement (the “Del-Tin Closing Date Statement”), setting forth the Del-Tin Net Working Capital as of the close of business on the Deferred Del-Tin Closing Date (the “Del-Tin Closing Net Working Capital”). Seller shall cause Del-Tin to provide assistance to Purchaser in the preparation of the Del-Tin Closing Date Statement and to provide Purchaser access at all times to the personnel, properties, Contracts and Records of Del-Tin for such purpose.

(ii) Objections; Resolution of Disputes. Any objections and resolutions of disputes with respect to the Del-Tin Closing Date Statement will be made in accordance with the procedures and principles contained in Section 2.03 as if the Del-Tin Closing Date Statement were the Closing Date Statement and the Del-Tin Closing Net Working Capital were the Closing Net Working Capital.

(iii) Del-Tin Adjustment Payment. If the Del-Tin Closing Net Working Capital (as finally determined in accordance with Section 6.16(f)(ii)) exceeds the Del-Tin Target Net Working Capital, the Del-Tin Purchase Price shall be increased by such amount, which amount shall be paid by Purchaser to Seller by wire transfer in immediately available funds within 10 Business Days after the Del-Tin Closing Date Statement becomes final and binding on the parties. If the

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Del-Tin Closing Net Working Capital (as finally determined in accordance with Section 6.16(f)(ii)) is less than the Del-Tin Target Net Working Capital, the Del-Tin Purchase Price shall be decreased by such amount, which amount shall be paid by Seller to Purchaser by wire transfer in immediately available funds within 10 Business Days after the Del-Tin Closing Date Statement becomes final and binding on the parties.

(iv) Certain Definitions. The term “Del-Tin Net Working Capital” means (A) the sum of trade accounts receivable (net of reserves), inventory (net of reserves) and pre-paid expenses (including sales, use and property Taxes but excluding Income Taxes), in each case to the extent such item constitutes a Del-Tin Asset, minus (B) the sum of trade accounts payable, accrued payroll (including accrued but unused vacation leave) and accrued current liabilities (including sales, use and property Taxes but excluding Income Taxes), in each case to the extent such item constitutes an Assumed Liability arising out of the Del-Tin Assets or the Business with respect to Del-Tin, calculated using the Applicable Accounting Principles. The Del-Tin Closing Net Working Capital is to be calculated as of close of business on the Deferred Del-Tin Closing Date in accordance with the Applicable Accounting Principles. The Del-Tin Closing Net Working Capital shall include any items for amounts with respect to sales, use and property Taxes (whether deferred, accrued or current) but, as described above, shall exclude any items for amounts with respect to Income Taxes (whether deferred, accrued or current). The scope of the disputes with respect to Del-Tin Closing Net Working Capital to be resolved by the Accounting Firm as provided in Section 6.16(f)(ii) shall be solely limited to whether such calculation was determined in accordance with the Applicable Accounting Principles, and whether there were mathematical errors in the calculation of Del-Tin Closing Net Working Capital in the Del-Tin Closing Date Statement. Without limiting the generality of the foregoing, no determination of the Accounting Firm shall be conclusive as to the determination of the accuracy of any representation or warranty in this Agreement or as to compliance by Seller or Purchaser with any of its covenants in this Agreement (other than (A) whether the Del-Tin Closing Date Statement calculation of Del-Tin Closing Net Working Capital was done in accordance with the Applicable Accounting Principles and (B) whether there were any mathematical errors in the calculation of Del-Tin Closing Net Working Capital in the Del-Tin Closing Date Statement).

(v) Adjustments. All payments required pursuant to this Section 6.16(f) will be deemed to be adjustments for Tax purposes to the Del-Tin Purchase Price, to the extent permitted by applicable Law.

(i) Notwithstanding anything to the contrary contained in the Transaction Documents, Seller, the Seller Group and their affiliates shall have no obligation to take any actions that are prohibited by, inconsistent with or that would require consent under the Del-Tin Operating Agreement.

SECTION 6.17 Residual Knowledge. Seller and its affiliates shall be free to use for any purpose the Residual Knowledge. Purchaser hereby covenants to Seller not to bring any action against Seller or its affiliates for any claim of infringement, misappropriation, dilution or unfair competition with regard to their respective use of the Residual Knowledge.

SECTION 6.18 Title Insurance. Prior to Closing, Purchaser shall obtain a commitment (each, a “Title Commitment”) for an ALTA, or TLTA as applicable, owner’s title insurance policy (with respect to each Owned Real Property and any other owned Business Real Property) and an ALTA, or TLTA as applicable, leasehold title insurance policy (with respect to each Leased Real Property and any other leased Business Real Property other than the Leased Real Property set forth on Section 6.18(a) of the Seller Disclosure Letter) (each, a “Title Insurance Policy”) through the Title Company for each property constituting Business Real Property listing Purchaser as the insured. Prior to Closing, Purchaser shall obtain final Title Insurance Policies for each property constituting Business Real Property. The Title Insurance Policies shall be valid and effective as of Closing, and on or prior to Closing, Seller and Purchaser shall take all necessary actions and execute any and all affidavits, certificates or other documents required by the Title Company in order to issue the Title Insurance Policies at Closing. Prior to Closing, Purchaser shall provide Seller with copies of the Title Commitments. Purchaser shall pay all costs and expenses related to the Title Commitments and Title Insurance Policies, including all costs and expenses for all title examinations and all title insurance premiums. Notwithstanding any provision to the contrary in this Agreement, with respect to any Losses arising with respect to breaches of the representations and warranties contained in Section 4.12 (Real Property; Other Assets), Purchaser shall diligently pursue any and all title and other claims under the Title Insurance Policies and shall not be entitled to assert any claims or rights against Seller under the Transaction Documents with respect to such Losses, including pursuant to Article X of this Agreement. Notwithstanding anything to the contrary contained herein, including the issuance of the Title Insurance Policies by the Title Company, the parties agree that Seller will deliver (a) the originals of any documents required to be recorded in the real property records, including the deeds conveying the Owned Real Property, the Diboll Access Agreement, the Diboll Stormwater Agreement, the Rome Declaration of Easements, and the Rome Declaration of Stormwater to Seller’s Title Agent and Seller’s Title Agent shall have sole responsibility for timely recording such documents and (b) copies of such documents to the Title Company. Seller shall cause Seller’s Title Agent to promptly deliver originals of the recorded documents to the Title Company upon receipt from the applicable recording authority. Subsequent to Closing, Purchaser shall cause the Title Company to promptly deliver copies of the final Title Insurance Policies to Seller and Seller’s Title Agent.

SECTION 6.19 Further Assurances. From time to time, prior to and following the Closing, as and when requested by any party, each party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions, as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement and to effectuate and evidence the transfer of assets and Liabilities contemplated hereby.

ARTICLE VII

CONDITIONS PRECEDENT

SECTION 7.01 Conditions to Each Party’s Obligations. The obligations of Purchaser and Seller to effect the Transactions are subject to the satisfaction (or waiver by Purchaser and Seller) on or prior to the Closing Date of the following conditions:

- (q) Review Law Approvals. Any waiting period (and any extension thereof) applicable to the consummation

of the Acquisition under the HSR Act shall have been terminated or shall have expired, and no judgment, injunction, order or decree shall be in effect preventing the consummation of the Transactions, which judgment, injunction, order or decree was issued at the request of the DOJ, FTC or other Governmental Entity to enforce any Review Law. Any consents, approvals, filings and other requirements under any other Review Law, the absence of which would constitute a violation of Law or prohibit the consummation of the Acquisition, shall have been obtained or made; and

(r) No Injunctions or Restraints. No statute, rule, regulation, executive order, decree, temporary restraining order, cease trading order, preliminary or permanent injunction or other order of any nature enacted, entered, promulgated, enforced or issued by any Governmental Entity, or other legal restraint or prohibition, in each case preventing the consummation of the Acquisition, shall be in effect.

The foregoing conditions are for the mutual benefit of each of Seller and Purchaser. Each party may, at any time and subject to Section 8.04, waive, in whole or in part, any of the foregoing conditions solely with respect to such party's obligations to effect the Transactions.

SECTION 7.02 Conditions to Obligations of Seller. The obligation of Seller to effect the Transactions is subject to the satisfaction (or waiver by Seller) on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties. (i) Each of the Purchaser Fundamental Representations that is qualified as to materiality shall be true and correct in all respects and each of the Purchaser Fundamental Representations that is not qualified as to materiality shall be true and correct in all material respects, in each case, as of the date of this Agreement and as of the Closing (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such date), and (ii) each of the other representations and warranties of Purchaser set forth in this Agreement shall be true and correct in all respects as of the date of this Agreement and as of the Closing (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct as of such date) except where the failure of such representations and warranties to be so true and correct (without giving effect to any "materiality" or "Purchaser Material Adverse Effect" or similar qualifier set forth therein) has not had, individually or in the aggregate, a Purchaser Material Adverse Effect. Seller shall have received a certificate to such effect signed on behalf of Purchaser by an officer of Purchaser;

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(b) Performance of Obligations of Purchaser. Purchaser shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Seller shall have received a certificate to such effect signed on behalf of Purchaser by an officer of Purchaser;

(c) Transaction Documents. Purchaser shall have executed and delivered each of the Liability Assumption Documents and Ancillary Agreements to which it is a party, including the documents and instruments required by Section 2.02(b); and

(d) Title Policies. The Title Company shall have issued the Title Insurance Policies.

The foregoing conditions are for the sole benefit of Seller and may, subject to Section 8.04, be waived, in whole or in part, by Seller at any time.

SECTION 7.03 Conditions to Obligations of Purchaser. The obligation of Purchaser to effect the Transactions is subject to the satisfaction (or waiver by Purchaser) on or prior to the Closing Date of the following conditions:

(f) Representations and Warranties. (i) Each of the Seller Fundamental Representations that is qualified as to

materiality shall be true and correct in all respects and each of the Seller Fundamental Representations that is not qualified as to materiality shall be true and correct in all material respects, in each case, as of the date of this Agreement and as of the Closing (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such date), and (ii) each of the other representations and warranties of Seller set forth in this Agreement shall be true and correct in all respects as of the date of this Agreement and as of the Closing (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct as of such date) except where the failure of such representations and warranties to be so true and correct (without giving effect to any "materiality" or "Business Material Adverse Effect" or similar qualifier set forth therein) has not had, individually or in the aggregate, a Business Material Adverse Effect. Purchaser shall have received a certificate to such effect signed on behalf of Seller by an officer of Seller;

(g) Performance of Obligations of Seller. Seller shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Purchaser shall have received a certificate to such effect signed on behalf of Seller by an officer of Seller;

(h) Transaction Documents. Seller shall have executed and delivered each of the Asset Conveyance Documents and Ancillary Agreements to which it is a party and each of the other Closing deliverables set forth in Section 2.02(a) and shall have caused each other applicable member of the Seller Group to execute and deliver each of the Asset Conveyance Documents and Ancillary Agreements to which such member is a party; and

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(i) No Business Material Adverse Effect. Between the date hereof and the Closing Date, there shall not have occurred any Business Material Adverse Effect.

The foregoing conditions are for the sole benefit of Purchaser and may, subject to Section 8.04, be waived, in whole or in part, by Purchaser at any time.

SECTION 7.04 Frustration of Closing Conditions. Neither Purchaser nor Seller may rely on the failure of any condition set forth in this Article VII to be satisfied if such failure was caused by such party's failure to act in good faith or to act in accordance with Sections 6.04 and 6.05.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

SECTION 8.01 Termination. This Agreement may be terminated and the Transactions abandoned at any time prior to the Closing:

(e) by mutual written consent of Seller and Purchaser;

(f) by written notice from either Seller or Purchaser to the other party, if

(i) the Closing has not occurred on or prior to July 31, 2013 (as extended pursuant to this Section 8.01(b), the "Termination Date"; provided, however, (A) if either Seller or Purchaser has notified the other party of its intent to terminate this Agreement pursuant to Sections 8.01(c) or 8.01(d) less than 20 days prior to the Termination Date, the Termination Date shall be extended to the end of the 20 day period following such notification by either Seller or Purchaser, or (B) if any applicable waiting periods under the HSR Act or any other Review Law (including as a result of any second requests thereunder) have not expired or otherwise terminated by such date, other than as a result of any breach or failure to perform any covenant hereunder by Seller, the Termination Date shall automatically be extended for 60 days; or (ii) any judgment, injunction, order or decree of any Governmental Entity having competent

jurisdiction enjoining Purchaser or Seller from consummating the Acquisition is entered and such injunction, judgment or order shall have become final and non-appealable; provided, however, that no party shall have the right to terminate this Agreement pursuant to this Section 8.01(b) if the failure of the Closing to have occurred on or prior to the Termination Date is the result of such party's breach of this Agreement;

(g) by written notice from Seller to Purchaser, if Purchaser breaches or fails to perform any of its representations, warranties or covenants contained in any Transaction Document, which breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 7.02(a) or 7.02(b) and (ii) cannot be or has not been cured by the later of (A) 20 days after Seller has notified Purchaser of its intent to terminate this Agreement pursuant to this Section 8.01(c) and (B) the Termination Date (provided that Seller is not then in material breach of any representation, warranty or covenant contained in any Transaction Document); or

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(h) by written notice from Purchaser to Seller, if Seller breaches or fails to perform any of its representations, warranties or covenants contained in any Transaction Document, which breach or failure to perform (i) would give rise to the failure of a condition set forth in (A) Section 7.03(a)(ii) or (B) Sections 7.03(a)(i), 7.03(b) or 7.03(d) and (ii) cannot be or has not been cured by the later of (A) 20 days after Seller has notified Purchaser of its intent to terminate this Agreement pursuant to this Section 8.01(d) and (B) the Termination Date (provided that Purchaser is not then in material breach of any representation, warranty or covenant contained in any Transaction Document).

SECTION 8.02 Effect of Termination. If this Agreement is terminated and the Transactions are abandoned as described in Section 8.01, this Agreement shall become null and void and of no further force and effect, except for the provisions of Section 6.08, Section 6.09, this Section 8.02, Section 11.02, Section 11.04, Section 11.05, Section 11.06, Section 11.07, Section 11.08, Section 11.10, Section 11.11, Section 11.12, and Section 11.03 (to the extent any defined terms therein apply to foregoing sections). Nothing in this Section 8.02 shall be deemed to release any party from any Liability to the other party for any breach by such party of the covenants and other agreements of this Agreement or to impair the right of any party to compel specific performance by any other party of its obligations under this Agreement.

SECTION 8.03 Amendment. This Agreement may not be amended, modified or supplemented except by an instrument in writing signed on behalf of each of the parties hereto.

SECTION 8.04 Extension; Waiver. At any time prior to the Closing Date, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant to this Agreement, or (c) waive compliance with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights. A waiver by any party of the performance of any act, covenant, agreement, obligation, condition, representation or warranty will not constitute a waiver of the performance of any other act, covenant, agreement, obligation, condition, representation or warranty.

ARTICLE IX

TAX MATTERS

SECTION 9.01 Certain Tax Matters.

(j) Allocations. Within 60 days following the date upon which Seller and Purchaser agree to the Adjusted Purchase Price pursuant to Section 2.03(d), Seller and Purchaser shall mutually agree on the fair market value of the Transferred Equity Interests and the Transferred Assets and shall allocate an amount of the Purchase Price plus the

Assumed Liabilities among the Transferred Equity Interests and among the Transferred Assets in an amount equal to such fair market value as determined by the parties. If Seller and Purchaser are unable to agree on such allocation, the Accounting

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Firm shall determine the fair market value of the Transferred Equity Interests and Transferred Assets. Seller and Purchaser shall use their commercially reasonable efforts to cause the opinion of the Accounting Firm to be rendered within 30 days following the date the dispute is submitted and such opinion shall be conclusive and binding on the parties, who shall allocate an amount of Purchase Price plus the Assumed Liabilities (and any other items required to be treated as purchase price for Tax purposes), among the Transferred Equity Interests and among the Transferred Assets in an amount equal to their fair market values as determined by the Accounting Firm (such allocation as is agreed by the parties or determined by the Accounting Firm, the "Allocation"). Seller and Purchaser shall adjust the Allocation from time to time as mutually agreed to reflect any adjustments to the Purchase Price hereunder (with any dispute to be resolved by the Accounting Firm). All fees and expenses of the Accounting Firm shall be shared equally by Seller and Purchaser.

(k) Certain Reporting and Filing Requirements. The Allocation shall comply with Section 1060 of the Code and the Treasury Regulations thereunder and any applicable local Laws. Seller and Purchaser agree that they shall and shall cause their respective affiliates to (i) cooperate in good faith in preparing IRS Form 8594, (ii) furnish a copy of such IRS Form 8594 to the other in draft form not later than the earlier of (x) 30 days after Seller and Purchaser have agreed to the Allocation in accordance with Section 9.01(a) and (y) 60 days prior to its filing due date, (iii) report the sale and purchase of the Transferred Equity Interests and the other Transferred Assets for U.S. Tax purposes and all other applicable Tax purposes in accordance with the Allocation, (iv) cooperate in the filing of any forms (including IRS Form 8594) required to be filed with regard to the Allocation, including any amendments to such forms required pursuant to any applicable Law or this Agreement and (v) not take any position inconsistent with the Allocation on any of their respective Tax Returns (including IRS Form 8594), in any refund claim, in any litigation or otherwise unless required by Law or consented to in writing by the other party. The parties shall promptly inform one another of any challenge with respect to the Allocation by any Taxing Authority, and agree to consult and keep one another informed with respect to the status of, and any discussion, proposal or submission with respect to, such challenge and to use their reasonable best efforts (and to cause their respective affiliates) to defend such Allocation in any audit or similar proceeding.

(l) Transfer Taxes; Rollback Taxes.

(iii) All Transfer Taxes applicable to the conveyance and transfer from Seller or any member of the Seller Group to Purchaser (and any affiliate of Purchaser) of the Transferred Equity Interests and the other Transferred Assets shall be borne equally by Seller and Purchaser when due. All Rollback Taxes shall be paid by Purchaser when due. Seller and its affiliates shall make all filings, returns, reports and forms, as and when required, to comply with the provisions of any applicable Laws relating to Transfer Taxes. Seller shall timely remit the full amount of such Transfer Taxes to the appropriate Taxing Authority and Purchaser shall reimburse Seller for its portion of the Transfer Taxes paid by Seller within

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20 days after Purchaser receives evidence of actual payment of such Transfer Taxes. No later than 30 days

after the Closing Date, (A) Purchaser shall provide to Seller a Certificate or Certificates that (1) has a valid sales tax registration number for each state in which any inventory included in the transfer is physically located, (2) is signed and dated by Purchaser, (3) includes the title of the signatory, if required, and (4) does not include "applied for," "pending" or other similar designation that indicates that Purchaser has not received a sales tax registration number," and (B) Purchaser shall provide to Seller any applicable valid manufacturing exemption certificate or copy of a direct pay permit which would relieve Seller of the obligation to collect and remit some or all of such Transfer Taxes. Unless otherwise required by applicable Law, Purchaser shall make all filings, returns, reports and forms, as and when required to comply with the provisions of any applicable Law relating to Rollback Taxes. If required by applicable Law, Purchaser shall, and shall cause its affiliates to, join in the execution of any such filings, returns, reports and forms related to Transfer Taxes.

(iv) If Purchaser is required by applicable Law to remit any Transfer Taxes, (A) Purchaser shall timely remit such Transfer Taxes and (B) Seller shall reimburse Purchaser for its portion of the Transfer Taxes paid by Purchaser

20 days after Seller receives evidence of actual payment of such Transfer Taxes by Purchaser (or Seller may offset any such amounts that Purchaser is required to reimburse to Seller under Section 9.01(c)(i)). If Seller is required by applicable Law to remit any Rollback Taxes, (X) Seller shall remit such Rollback Taxes and (Y) Purchaser shall reimburse Seller for such Rollback Taxes within 20 days after Purchaser receives evidence of Seller's actual payment of such Rollback Taxes.

(v) Seller and Purchaser and their respective affiliates shall cooperate in minimizing any Transfer Taxes and Rollback Taxes.

(m) Straddle Period. Any Taxes (other than Taxes described in Section 9.01(c)) imposed with respect to a Straddle Period shall be allocated between the portions of the Straddle Period in the following manner: (i) in the case of a property, ad valorem or other similar Taxes for a Straddle Period, the amount of such Tax allocable to a portion of the Straddle Period shall be the total amount of such Tax for the Tax period in question multiplied by a fraction, the numerator of which is the total number of days in such portion of such Straddle Period and the denominator of which is the total number of days in such Straddle Period, and (ii) in the case of all other Taxes (other than Taxes described in Section 9.01(c) and Section 9.01(d)(i)) for a Straddle Period, such Taxes shall be allocated to the relevant portion of the Straddle Period assuming an interim closing of the books as of the close of business on the Closing Date.

(n) Pre-Paid Taxes and Tax Refunds. To the extent Pre-paid Taxes exceed the Taxes for which the Seller is responsible under this Agreement for a Straddle Period (as determined pursuant to Section 9.01(d)), Purchaser shall pay Seller such excess within 20 days of the parties' determination of such excess. To the extent any Tax refunds

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(including any interest paid or credited with respect thereto) relating to Taxes which are Retained Liabilities, such refunds shall be the property of Seller, and if received by Purchaser, shall be paid to Seller in accordance with Section 6.12, net of any Taxes payable by Purchaser or any affiliate of Purchaser which result from the receipt of such refund. For the avoidance of doubt, and subject to the provisions of Section 9.01(g), Purchaser shall retain refunds, if any, that are attributable to any carryback of net operating losses, capital losses, credits or other Tax attributes relating to a Tax period or portion thereof beginning after the Closing Date.

(o) Preparation of Tax Returns.

(i) Seller Responsibility. Except as otherwise provided in

Sections 9.01(c), 9.01(f)(ii), 9.01(f)(iii) and 9.01(j) Seller shall make all determinations with respect to and shall timely file (A) all Tax Returns with respect to the Transferred Entities and the Business for any Pre-Closing Tax Period, and (B) any property Tax Returns relating to personal property with lien dates that occur prior to the Closing and, in each case, shall bear the costs of preparing and filing such Tax Returns.

(ii) Purchaser Responsibility. Except as otherwise provided in Sections 9.01(c) and 9.01(f)(iii), Purchaser shall make all determinations with respect to and shall timely file (A) all Tax Returns with respect to the Transferred Entities and the Business for any Post-Closing Tax Period and (B) any property Tax Returns relating to personal property with lien dates that occur after the Closing. At Seller's request, Purchaser will timely provide Seller with such information and records and make such of its representatives available as may reasonably be requested by Seller, and to cause any Transferred Entities to join with Seller, in making certain elections with respect to any Seller Group federal consolidated Tax Returns for all taxable periods if the making of such election does not have an adverse impact on Purchaser or any of its affiliates for any Post-Closing Tax Period.

(iii) Straddle Periods. Purchaser shall be responsible for preparing and filing all Tax Returns for Straddle Periods and shall bear the costs of preparing and filing such Tax Returns unless otherwise required by applicable Law.

(iv) The Tax Returns prepared by Seller pursuant to Section 9.01(f)(i) are referred to as the "Seller Prepared Tax Returns," and the Tax Returns prepared by Purchaser pursuant to Section 9.01(f)(iii) are referred to as the "Purchaser Prepared Tax Returns." Such Tax Returns shall be prepared in a manner consistent with the prior practice of Seller or the Seller Group, as the case may be, unless otherwise required by applicable Law. At least 45 days before the date on which each such Tax Return is due (or such shorter period as the circumstances require, but only in the case of a non-income Tax Return), if such Tax Return is a Purchaser Prepared Tax Return, Purchaser shall submit such Tax Return to Seller for its review and approval, and if such Tax Return is a Seller Prepared Tax

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Return, Seller shall submit such Tax Return to Purchaser for its review and approval. Such approval by Seller or Purchaser, as the case may be, shall not be unreasonably withheld or delayed. The reviewing party shall submit its written comments, if any, to the other party no less than 30 days (or such shorter period as the circumstances require, but only in the case of a non-income Tax Return) prior to the due date of such Tax Return, and the non-reviewing party shall make any change to any such Tax Return (or file any amendment to such Tax Return) as is reasonably requested by the reviewing party, so long as there is a reasonable basis in fact and Law for such change. Seller and Purchaser agree to consult and attempt to timely resolve in good faith any issue arising as a result of their respective review of any Tax Return prepared and filed pursuant to this

Section 9.01(f)(iv). Seller shall timely pay (or cause to be timely paid) all Taxes due with respect to any Seller Prepared Tax Return. Purchaser shall timely pay (or cause to be timely paid) all taxes due with respect to any Purchaser Prepared Tax Return. Seller shall promptly pay, or cause to be promptly paid, to Purchaser the amount of such Tax for which Seller is responsible pursuant to this Agreement for any Purchaser Prepared Tax Return, to the extent not paid or accrued at or before the Closing. Purchaser shall promptly pay, or cause to be promptly paid, to Seller (or its affiliate) the amount of such Tax for which Purchaser is responsible pursuant to this Agreement for any Seller Prepared Tax Return, to the extent not paid or accrued at or before the Closing. In the event of any disagreement between Purchaser and Seller with respect to such Tax Returns described in this Section 9.01(f)(iv), such disagreement shall be resolved by the Accounting Firm, and any such determination by the Accounting Firm shall be final. The fees and expenses of the Accounting Firm shall be borne equally by Purchaser and Seller. If the Accounting Firm does not resolve any differences between

Purchaser and Seller with respect to such Tax Return at least five days prior to the due date therefor, such Tax Return shall be filed as prepared by the non-reviewing party and subsequently amended to reflect Accounting Firm's resolution.

(p) Restrictions on Carrybacks and Amended Returns. To the extent permitted by Law, (i) Purchaser shall elect to forego a carryback of any net operating losses, capital losses, credits or other Tax benefits to a Pre-Closing Tax Period and (ii) Purchaser shall not amend any Tax Return described in Section 9.01(f)(i), except with Seller's prior written consent (which shall not be unreasonably withheld or delayed).

(q) Section 338 Election. Purchaser shall not make an election pursuant to Section 338(g) of the Code with respect to the Transferred Entities without Seller's prior written consent (which shall not be unreasonably withheld or delayed).

(r) FIRPTA. Seller and each member of the Seller Group, as applicable, shall furnish to Purchaser on or prior to the Closing Date certificates of its respective non-foreign status in form and in substance reasonably satisfactory to Purchaser that complies with the provisions of Treasury Regulations Section 1.1445-2(b) (collectively, the "FIRPTA Certificates").

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(s) To the extent that the transactions contemplated by this Agreement result in the transfer by Seller or a member of the Seller Group of a "loss share" in the Transferred Entities as defined by Treasury Regulations Section 1.1502-36(f)(7), and such transfer would likely result in the reduction of the inside tax attributes of the Transferred Entities under the rules of Treasury Regulations Section 1.1502-36(d), Seller will protectively elect (or cause to protectively elect), pursuant to Treasury Regulations Section 1.1502-36(d)(6) to reduce the tax basis in the shares of Transferred Entities such that no amount of reduction, if any, is applied to the inside tax attributes of Transferred Entities.

(t) Pursuant to the "Standard Procedure" provided in Section 4 of Revenue Procedure 2004-53, 2004-2 C.B. 320, (i) Purchaser and Seller shall report on a predecessor/successor basis as set forth therein, (ii) Seller will not be relieved from filing a Form W-2 with respect to any Transferred Employees, and (iii) Purchaser will undertake to file (or cause to be filed) a Form W-2 for each such Transferred Employee only with respect to the portion of the year during which such Transferred Employees are employed by Purchaser that includes the Closing Date, excluding the portion of such year that such Transferred Employee was employed by Seller.

SECTION 9.02 Tax Sharing. Any and all existing Tax sharing agreements between the Business (including any Transferred Entity) and any member of the Seller Group or any of their affiliates, shall be terminated as of the Closing Date. After such date neither any of the Transferred Entities, any member of the Seller Group, nor any affiliate of any member of the Seller Group shall have any further rights or Liabilities thereunder.

SECTION 9.03 Cooperation on Tax Matters. Purchaser and Seller agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information (including access to Records whether in hard copy paper form or in electronic form) and assistance relating to (i) the Business and the Transferred Entities as is reasonably necessary for the filing of any Tax Return (including any report required pursuant to Section 6043 of the Code and all Treasury Regulations promulgated thereunder), for the preparation for any audit, and for the prosecution or defense of any claim, suit or proceeding relating to any proposed adjustment and (ii) the Hope Bonds Assignment and Assumption Agreements and the Payment in Lieu of Taxes Agreement related to the Hope Bonds. Purchaser and Seller agree to retain or cause to be retained all Records (including the maintenance of systems and software necessary to retrieve such electronic Records) pertinent to the Business and the Transferred Entities until 30 days following the applicable period for assessment under Law (giving effect to any and all extensions or waivers) has expired, and to abide by or cause the abidance with all record retention

agreements entered into with any Taxing Authority. Purchaser agrees to give Seller reasonable notice prior to transferring, discarding or destroying any such Records (including electronic Records) relating to Tax matters and, if Seller so requests, Purchaser shall allow Seller to take possession of such Records (including electronic Records) at Seller's expense. Purchaser and Seller shall cooperate with each other in the conduct of any audit or other proceedings involving the Business or any Transferred Entity for any Tax purposes and each shall execute and deliver such powers of attorney and other documents as are reasonably necessary to carry out the intent of this Section 9.03. Nothing in this Agreement shall be construed as providing Purchaser with

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the right to receive a copy of or review any financial or Tax records relating to the Business (other than Tax records of the Transferred Entities) that form part of Seller's or any other member of the Seller Group's general ledger or Tax Returns. Notwithstanding anything to the contrary herein (including Section 2.03(f)), neither Seller nor any other member of the Seller Group shall be entitled to review the Tax Returns of Purchaser or any affiliate of Purchaser for any purpose, including in connection with any Action or other dispute (whether between the parties hereto or involving third parties) or otherwise.

SECTION 9.04 Tax-Deferred Exchange. Purchaser and Seller understand and acknowledge the rights of Purchaser and Seller, at their option, to structure any portion of the transaction contemplated by this Agreement so as to qualify as a tax-free exchange of like-kind property in compliance with the provisions of Section 1031 of the Code ("Section 1031"). The parties agree to use their commercially reasonable efforts, at the requesting party's sole expense, to cooperate to allow Purchaser or Seller, as the case may be, to structure any portion of the transaction contemplated by this Agreement to effect a like-kind exchange in compliance with the provisions of Section 1031 and the Treasury Regulations promulgated thereunder. Accordingly, Purchaser or Seller, as the case may be, may enter into a written exchange agreement or assignment agreement at any time prior to Closing with a "Qualified Intermediary" (as defined in Treasury Regulations Section 1.1031(k)-1(g)(4)(iii)) or an "Exchange Accommodation Titleholder" (as described in Revenue Procedure 2000-37) for the assignment of the rights of Purchaser or Seller, as the case may be, under this Agreement in whole or in part to such "Qualified Intermediary" or "Exchange Accommodation Titleholder" (in either event, an "Intermediary"). The Intermediary shall be designated in writing by Seller to Purchaser or vice versa and Purchaser or Seller, as the case may be, agrees that Purchaser or Seller, as the case may be, shall sign and deliver to Purchaser or Seller, as the case may be, a written instrument (to be prepared by Purchaser or Seller, as the case may be) acknowledging the designation of the Intermediary and the assignment of the right, title and interest of Purchaser or Seller, as the case may be, under this Agreement in whole or in part to the Intermediary. Upon designation of the Intermediary by Purchaser or Seller, as the case may be, and upon the Intermediary's written assumption of the obligations of Purchaser or Seller, as the case may be, hereunder, the Intermediary shall be substituted for Purchaser or Seller, as the case may be, as the seller under this Agreement. Purchaser or Seller, as the case may be, agrees in such case to take title to the applicable Transferred Assets from the Intermediary and to render Purchaser's or Seller's, as the case may be, performance of all of its obligations under this Agreement to the Intermediary; provided, however, that the conveyance of title to the applicable Transferred Assets by the Intermediary to Purchaser or Seller, as the case may be, shall be in the form of the Asset Conveyance Documents from Seller to Purchaser, or vice versa. The Closing shall not be delayed as a result of any like-kind exchange aspects of the transaction. If Purchaser or Seller, as the case may be, is unsuccessful in its efforts to structure the transaction contemplated by this Agreement as part of a like-kind exchange, such occurrence shall not be deemed or construed as the failure of a condition precedent to Seller's obligations under this Agreement (including Purchaser's or Seller's, as the case may be, obligation to consummate the transaction contemplated herein); and in such case, Closing shall proceed as if this Section 9.04 were not included in this Agreement. In the event Purchaser or Seller, as the case may be, designates a party or entity to serve as an Intermediary, Purchaser or Seller, as the case may be, shall

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unconditionally guarantee the full and timely performance by the Intermediary of each and every one of the representations, warranties, covenants, indemnities, obligations and undertakings (as the case may be) of the Intermediary (as the successor Purchaser or Seller, as the case may be, hereunder, by assignment) pursuant to this Agreement and the Ancillary Agreements. As such guarantor, Purchaser or Seller, as the case may be, shall be treated as a primary obligor with respect to such representations, warranties, covenants, indemnities, obligations and undertakings (as the case may be), and, in the event of a breach by the Intermediary under this Agreement or the Ancillary Agreements, Purchaser may proceed directly against Seller (or vice versa) on the guarantee without the need to join the Intermediary as a party to the action. Purchaser or Seller, as the case may be, unconditionally waives any defense that it might have as guarantor that it would not have if it had made or undertaken these representations, warranties, covenants, indemnities, obligations and undertakings (as the case may be) directly.

SECTION 9.05 Sales Tax Indemnification. Promptly upon receipt, Purchaser shall provide Seller a copy of any sales or use Tax exemption certificates (the "Certificates") from the states in which inventory and any tangible personal property purchased for resale is located and will be acquired pursuant to the terms of this Agreement. In the event that Purchaser is unable to provide Seller with such Certificates, Purchaser shall indemnify and hold harmless Seller and members of the Seller Group from and against any liability for such states' sales Taxes (the "Sales Tax") that may result from the sale of inventory and any tangible personal property purchased for resale to Purchaser pursuant to this Agreement. Any indemnification made pursuant to this Section 9.05 shall be from the first dollar of the applicable Sales Tax. The obligation of Purchaser under this Section 9.05 shall terminate 30 days following the expiration of the relevant statute of limitations of Seller and the members of the Seller Group (giving effect to any applicable extensions or waivers thereof) relating to Sales Tax, but in no event shall such expiration affect any other provision of this Agreement. Section 10.03(b) shall apply to any Tax Claim relating to any applicable state Sales Tax.

ARTICLE X

INDEMNIFICATION

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SECTION 10.01 Indemnification by Seller.

(h) From and after the Closing Date, Seller shall indemnify, defend and hold harmless Purchaser and each of its affiliates and each of their respective officers, directors, employees, shareholders, agents and representatives and each of the heirs, executors, successors and assigns of any of the foregoing (the "Purchaser Indemnitees") from, against and in respect of any and all claims, losses, costs, penalties, fines, Taxes, Judgments (at equity or at law), damages (whether based on contract, tort, strict liability, other Law or otherwise), and Liabilities or expenses, including amounts paid in settlement, costs of investigation and reasonable legal fees and expenses, including expert fees and any such fees incurred in connection with the enforcement of this Agreement, including the enforcement of this Article X (collectively, "Losses"), to the extent arising or resulting from any of the following:

(xxv) any Retained Liability;

(xxvi) any breach of any covenant or agreement of Seller contained in this Agreement;

(xxvii) any breach or inaccuracy of any representation or warranty of Seller that is contained in this Agreement (for purposes of this

Section 10.01(a)(iii), the Seller Designated Representations, shall be read without reference to materiality, Business Material Adverse Effect or similar monetary and non-monetary qualifiers);

(xxviii) any Pre-Closing Environmental Liabilities; and

(xxix) any fees, expenses or other payments incurred or owed by Seller or any other member of the Seller Group to any agent, broker, investment banker or other firm or Person retained or employed by it in connection with the Transactions.

(i) Notwithstanding anything to the contrary in this Agreement, Seller shall not have any Liability:

(i) under Section 10.01(a)(iii) (except with respect to breaches or inaccuracies of the Seller Fundamental Representations or Sections 4.06(c) or 4.07) unless the aggregate amount of all Losses for which Seller would, but for this Section 10.01(b)(i), be liable under Section 10.01(a)(iii) (except with respect to inaccuracies of the representations and warranties contained in the Seller Fundamental Representations or Sections 4.06(c) or 4.07) exceeds on a cumulative basis an amount equal to 1.5% of the Purchase Price, and then only to the extent of any such excess;

(ii) under Section 10.01(a)(iii) (except with respect to breaches or inaccuracies of the Seller Fundamental Representations or Sections 4.06(c) or

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4.07) for any individual item (or a series of related items) where the Loss relating thereto is less than \$350,000, and, with respect to any such items under Section 10.01(a)(iii), such items shall be aggregated for purposes of Section 10.01(b)(i);

(iii) under Section 10.01(a)(iv) for any individual item (or a series of related items) where the Loss relating thereto is less than \$250,000; and

(iv) under Section 10.01(a)(iii) (except with respect to breaches or inaccuracies of the Seller Fundamental Representations or Section 4.07) or Section 10.01(a)(iv) on an aggregate cumulative basis in excess of an amount equal to 20% of the Purchase Price.

For the avoidance of doubt, the limitations in Sections 10.01(b)(i) and 10.01(b)(ii) shall not apply to breaches or inaccuracies of the Seller Fundamental Representations or Sections 4.06(c) or 4.07 and the limitations in Section 10.01(b)(iv) shall not apply to breaches or inaccuracies of the Seller Fundamental Representations or Section 4.07.

SECTION 10.02 Indemnification by Purchaser.

(e) From and after the Closing Date, Purchaser shall indemnify, defend and hold harmless Seller, each member of the Seller Group and each of their affiliates and their respective officers, directors, employees, shareholders, agents and representatives and each of the heirs, executors, successors and assigns of any of the foregoing (the "Seller Indemnitees") from, against and in respect of any and all Losses, to the extent arising or resulting from any of the following:

(iii) any Assumed Liability (except to the extent Seller has indemnified Purchaser from and against such Liability pursuant to Section 10.01);

(iv) any breach of any covenant or agreement of Purchaser contained in this Agreement;

(v) any breach or inaccuracy of any representation or warranty of Purchaser that is contained in this Agreement (for purposes of this Section 10.02(a)(iii), such representations and warranties shall be read without reference to materiality, Purchaser Material Adverse Effect or similar monetary and non-monetary qualifiers);

(vi) all Liabilities related to Third Party Claims against any of the Seller Indemnitees to the extent arising out of or relating to Purchaser's use of the Transferred Assets or operation of the Business after the Closing, other than any liability for which Seller is required to indemnify Purchaser pursuant to Section 10.01;

(vii) any fees, expenses or other payments incurred or owed by Purchaser or any of its affiliates to any agent, broker, investment banker or other

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firm or Person retained or employed by it in connection with the Transactions; and

(viii) any Liabilities arising from Purchaser's or its affiliate's hiring process and procedures with respect to the Business Employees.

(f) Notwithstanding anything to the contrary in this Agreement, Purchaser shall not have any Liability:

(iii) under Section 10.02(a)(iii) (except with respect to breaches or inaccuracies of the Purchaser Fundamental Representations) unless the aggregate amount of all Losses for which Purchaser would, but for this Section 10.02(b)(i), be liable under Section 10.02(a)(iii) exceeds on a cumulative basis an amount equal to 1.5% of the Purchase Price, and then only to the extent of any such excess;

(iv) under Section 10.02(a)(iii) (except with respect to breaches or inaccuracies of the Purchaser Fundamental Representations) for any individual item (or a series of related items) where the Loss relating thereto is less than \$350,000, and such items shall be aggregated for purposes of Section 10.02(b)(i); and

(v) under Section 10.02(a)(iii) (except with respect to breaches or inaccuracies of the Purchaser Fundamental Representations) on an aggregate cumulative basis in excess of amount equal to 20% of the Purchase Price.

For the avoidance of doubt, the limitations in this Section 10.02(b) shall not apply to breaches or inaccuracies of the Purchaser Fundamental Representations.

SECTION 10.03 Indemnification Procedures.

(n) Procedures Relating to Indemnification of Third Party Claims. If any party (the "Indemnified Party") receives written notice of the commencement of any action or proceeding or the assertion of any claim by a third party or the imposition of any penalty or assessment for which indemnity may be sought under Sections 10.01 or 10.02(a ("Third Party Claim"), and such Indemnified Party intends to seek indemnity pursuant to this Article X, the Indemnified Party shall promptly provide the other party (the "Indemnifying Party") with written notice of such Third Party Claim, stating the nature, basis and the amount thereof, to the extent known, along with copies of the relevant documents evidencing such Third Party Claim and the basis for indemnification sought. Failure of the Indemnified Party to give such notice will not relieve the Indemnifying Party from Liability on account of this indemnification, except if and to the extent that the Indemnifying Party is materially prejudiced thereby. The Indemnifying Party will have 20 days from receipt of any such notice of a Third Party Claim to give notice to assume the defense thereof;

provided, however, that an Indemnifying Party will not be entitled to assume the defense of any Third Party Claim if such Third Party Claim

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could result in criminal liability. The Indemnified Party shall be entitled to engage one separate counsel to participate in a defense assumed by an Indemnifying Party, at the expense of the Indemnifying Party, if the Indemnified Party shall have reasonably concluded that (i) there may be a conflict of interest (including one or more legal defenses or counterclaims available to it or to other Indemnified Parties which are different from or additional to those available to the Indemnifying Party) that would make it inappropriate in the reasonable judgment of the Indemnified Party for the same counsel to represent both the Indemnified Party and the Indemnifying Party or (ii)(A) the claim seeks non-monetary relief that, if granted, could reasonably be expected to materially and adversely affect the Indemnified Party or its affiliates and (B) the Indemnified Party's outside counsel shall have advised that such claim has a reasonable probability of success. If notice to the effect set forth above is given by the Indemnifying Party, the Indemnifying Party will have the right to assume the defense of the Indemnified Party against the Third Party Claim with counsel and experts of its choice; provided, however, that such counsel and experts are reasonably satisfactory to the Indemnified Party; and provided, further, that in the event the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnifying Party shall actively pursue such defense in good faith. If the Indemnifying Party does not assume the defense of such Third Party Claim by providing notice within 20 days of receipt of the Indemnified Party's notice, the Indemnified Party against which such Third Party Claim has been asserted will have the right to assume and control the defense thereof without prejudice to the ability of the Indemnified Party to enforce its claim for indemnification against the Indemnifying Party under this Article X and the Indemnifying Party shall pay the reasonable fees and disbursements of such counsel or experts for the Indemnified Party as incurred; provided, however, that the Indemnified Party shall not consent to the entry of any judgment or enter into any settlement with respect to such Third Party Claim without the consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed). So long as the Indemnifying Party has assumed the defense of the Third Party Claim in accordance herewith, (i) the Indemnified Party has the right to retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, including the rights to be present and accompanied by counsel at all proceedings and to receive copies of all pleadings, notices and communications with respect to any such Third Party Claim, (ii) the Indemnified Party will not file any papers or consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed), and (iii) the Indemnifying Party will not (A) admit to any wrongdoing or (B) consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim to the extent such judgment or settlement (1) provides for (x) relief other than money damages or (y) money damages, if the Indemnifying Party has not acknowledged in writing that it shall be solely responsible for such money damages, (2) does not include as an unconditional term thereof the giving by each claimant or plaintiff to the Indemnified Party of an irrevocable release from all Liability with respect to such Third Party Claim, (3) contains any admission of any wrongdoing or Liability on behalf of the Indemnified Party or (4) contains any equitable order, judgment or term that in any manner affects, restrains or interferes with the

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business of the Indemnified Party or any of the Indemnified Party's affiliates, in each case, without the prior written consent of the Indemnified Party. The parties will act in good faith in responding to, defending against, settling or otherwise dealing with such claims. The parties will also cooperate in any such defense, subject to this Article X, and

will give each other reasonable and prompt access to all information and Records relevant thereto, including access to personnel to the extent solely related to such Third Party Claim.

(o) Procedures Relating to Indemnification of Third Party Tax Claims. Notwithstanding Section 10.03(a), if a Third Party Claim includes, or could reasonably be expected to include, any inquiry, audit, assessment, claim or similar proceeding by any Taxing Authority relating to Taxes (such Third Party Claim, a "Tax Claim") for any Pre-Closing Tax Period of the Business, the Business Assets, the Assumed Liabilities or the Transferred Entities, the Seller shall control all proceedings taken in connection with such Tax Claim. If any Tax Claim relates to a Straddle Period of the Business, the Business Assets, the Assumed Liabilities or the Transferred Entities (a "Straddle Period Tax Claim"), Purchaser and Seller shall jointly control all proceedings taken in connection with such Straddle Period Tax Claim. For the avoidance of doubt, if a Tax Claim relates to Seller's U.S. Federal Income Taxes or to state Income Taxes in states where Seller filed combined or consolidated Tax Returns that included the Transferred Entities or the Business (such Tax Claim, an "Income Tax Claim") and any other Tax Claim that is not a Straddle Period Tax Claim (such Tax claim that is not a Straddle Period Tax Claim, an "Other Tax Claim"), Seller shall control fully all proceedings in connection with any such Income Tax Claim or such Other Tax Claim and shall have complete authority and discretion to settle any such Income Tax Claim or such Other Tax Claim without the consent of Purchaser; provided, however, that for any Income Tax Claim the resolution of which by any Taxing Authority or court of competent jurisdiction would affect the Tax treatment of any asset of the Transferred Entities in the hands of Purchaser or its affiliates, such Income Tax Claim shall be jointly controlled by Seller and Purchaser. In the case of any Tax Claim jointly controlled by the parties (including a Straddle Period Tax Claim), each party shall (i) promptly notify the other party of any Tax audits, examinations or assessments that could give rise to such a Tax Claim and provide the other party with a copy of all documents relating to such Tax Claim, (ii) jointly prepare any written submissions in connection with such Tax Claim, (iii) jointly attend any conference with any Taxing Authority regarding such Tax Claim, and (iv) not settle or compromise any such Tax Claim without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed).

(p) Procedures for Non-Third Party Claims. The Indemnified Party will notify the Indemnifying Party in writing promptly of its discovery of any matter that does not involve a Third Party Claim giving rise to the claim of indemnity pursuant hereto and such notices shall specify the basis for such claim. The failure so to notify the Indemnifying Party shall not relieve the Indemnifying Party from Liability on account of this indemnification, except if and to the extent that the Indemnifying Party is materially prejudiced thereby. The Indemnifying Party will have 60 days from receipt of any such

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notice to give notice of dispute of the claim to the Indemnified Party. In the event the Indemnifying Party has timely disputed its Liability with respect to such claim, as promptly as possible, the Indemnified Party will reasonably cooperate and assist the Indemnifying Party in determining the validity of any claim for indemnity by the Indemnified Party and the amount of such claim and in otherwise resolving such matters (by mutual agreement, litigation, arbitration or otherwise) and, within five Business Days following the final determination of the validity and amount of such claim, the Indemnifying Party shall pay to the Indemnified Party immediately available funds in an amount equal to such claim as determined hereunder. Such assistance and cooperation will include providing, at the Indemnifying Party's expense, reasonable access to and copies of Records relating to such matters, furnishing employees to assist in the investigation, defense and resolution of such matters and providing legal and business assistance with respect to such matters; provided, however, that the Indemnified Party's obligations under this sentence and the immediately preceding sentence shall be no greater than the obligations of such Indemnified Party under the discovery requirements, if any, of any legal proceedings between the parties controlling such claim of indemnity. In the event the Indemnifying Party does not notify the Indemnified Party within 60 days following its receipt of such notice that the Indemnifying Party disputes its Liability to the Indemnified Party under this Article X or the amount thereof, the claim specified by the Indemnified Party in such notice shall be conclusively deemed a

Liability of the Indemnifying Party under this Article X and the Indemnifying Party shall pay the amount of such Liability to the Indemnified Party on demand, or, in the case of any notice in which the amount of the claim (or any portion of the claim) is estimated, on such later date when the amount of such claim (or portion of such claim) becomes finally determined.

(q) Environmental Limitations. Notwithstanding any provision to the contrary in this Agreement, with respect to any Losses arising from Pre-Closing Environmental Liabilities, or with respect to any remedial action required under Section 1.04(c)(x), or with respect to breaches of the representations and warranties contained in Section 4.11 (Environmental Matters) or, in respect of Environmental Permits, contained in Section 4.17 (Permits): (i) Seller shall have satisfied its obligations with respect to any remedial action to the extent such remedial action is conducted to standards applicable to industrial properties, including the use of risk-based cleanup standards, natural attenuation, and deed restrictions so long as such use is approved by or acceptable to the Governmental Entity overseeing such remedial action and the selected remedy or remedies are consistent with Purchaser's use of the Business Real Property without unreasonable interference; (ii) Seller shall be required to indemnify any Purchaser Indemnitees for any such Losses to the extent such Losses are required to comply with Environmental Law in force and in effect on the Closing Date; (iii) Seller shall not be required to indemnify any Purchaser Indemnitees for any portion of such Losses actually caused by Purchaser Indemnitees' exacerbation of the conditions causing or resulting in any such Losses after the Closing Date; provided, that, such exacerbation shall not include any Losses arising from post-Closing activities by Purchaser Indemnitees that conform to pre-Closing activities by Seller in connection with the Business unless one of

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the Purchaser Indemnitees has knowledge or should have had knowledge that such activities caused a pre-Closing representation or warranty to be inaccurate; and (iv) Seller shall not be required to indemnify any Purchaser Indemnitees for any such Losses (A) to the extent such Losses arise or result from any maintenance, repair, removal or disposal of, asbestos or asbestos-containing materials, other than any maintenance, repair, removal or disposal of asbestos or asbestos-containing materials required as of the Closing Date under any Environmental Law in force and effect on the Closing Date and (B) resulting or arising from any investigation, removal or remediation of any presence or Release of Hazardous Materials except to the extent such presence or Release existed at concentrations in soil, groundwater or other environmental media on the Closing Date that require notification and remedial action pursuant to Environmental Law in force and in effect on the Closing Date.

SECTION 10.04 Indemnification as Sole and Exclusive Remedy. The parties acknowledge and agree that, should the Closing occur, each party's sole and exclusive remedy with respect to any and all claims for monetary relief relating to Article I, the Business, the Business Assets, the Excluded Assets, the Assumed Liabilities, the Retained Liabilities, any Losses arising from or relating to this Agreement or any representation, warranty or covenant of the other party contained in this Agreement shall be pursuant to the indemnification provisions set forth in this Article X or otherwise expressly set forth in this Agreement; provided, however, that (i) nothing herein shall limit in any way either party's remedies in respect of fraud by the other party in connection with the Transactions and (ii) should the Closing occur, no party shall have, and all parties shall be deemed to have waived, any rescission rights with respect to this Agreement or the Transactions. Notwithstanding anything to the contrary contained herein, except to the extent provided in the Ancillary Agreements, this Section 10.04 will not apply to any Ancillary Agreement.

SECTION 10.05 Calculation of Indemnity Payments.

(e) The amount of any Loss for which indemnification is provided under this Article X (i) shall be net of any amounts recovered by the Indemnified Party under insurance policies (including the Title Insurance Policies) or underground storage tank reimbursement programs with respect to such Loss (net of costs of collection and premium increases directly related to such claim for indemnification) and (ii) shall be

(A) increased to take account of any net Tax cost actually incurred by the Indemnified Party arising from the receipt of indemnity payments hereunder (grossed up for such increase) and (B) reduced to take account of any net Tax benefit actually realized by the Indemnified Party arising from the incurrence or payment of any such indemnified amount. For purposes of indemnification under Section 10.01, the amount of any Loss shall be reduced to the extent that such Loss is reflected as a current Liability in the Closing Date Statement (as finally determined in accordance with Section 2.03(c)).

(f) An Indemnifying Party is authorized, in connection with payment of any Loss for which indemnification may be sought by an Indemnified Party under this Article X, to set off and apply any and all payments due to such Indemnifying Party under Section 2.03 or this Article X against any of and all of the obligations of the

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Indemnifying Party to such Indemnified Party under this Article X. The rights of the Indemnifying Party under this Section 10.05(b) are in addition (but without duplication) to other rights and remedies (including other rights of set-off) which such Indemnifying Party may have.

SECTION 10.06 Additional Matters.

(n) For all Tax purposes, Purchaser and Seller agree to treat any indemnity payment under this Agreement as an adjustment to the Purchase Price unless a final determination (which shall include the execution of an IRS Form 870-AD or successor form) or applicable Law provides otherwise.

(o) In no event shall an Indemnifying Party be liable (i) for any incidental, special, consequential or indirect damages or lost profits unless such damages are of a type that would be recoverable at law for a breach of contract claim (whether or not the claim against the Indemnifying Party is for breach of contract), or (ii) for any punitive or exemplary damages, other than, in each case, any such damages for which the Indemnified Party is found liable to a third party through the final resolution of a Third Party Claim.

(p) All obligations of Seller under Section 10.01 to indemnify, defend and hold harmless any Purchaser Indemnitee for any Losses arising or resulting from any Retained Tax Liability shall terminate 30 days following the expiration of the relevant statute of limitations (giving effect to any applicable extensions or waivers thereof).

SECTION 10.07 Environmental Access, Control and Cooperation. With respect to any claim for indemnification by Purchaser Indemnitees for any Pre-Closing Environmental Liability or any breach of the representations and warranties contained in Section 4.11 or, with respect to Environmental Permits, contained in Section 4.17 ("Environmental Indemnity Claims"):

(g) Notwithstanding any provision to the contrary, (i) Seller shall have the right to assume the control and/or performance of, and shall have the right to make all final decisions with respect to, any investigation, cleanup or other corrective or responsive action ("Responsive Action") relating to any Environmental Indemnity Claim to the extent Seller has an obligation to indemnify Purchaser under Section 10.01; provided, that Seller shall have exercised such right within 30 days following receipt of notice from the Purchaser Indemnitees of the existence of a claim; provided, further, that, with respect to any Responsive Action controlled and/or performed by Seller pursuant to this Agreement, to the extent reasonably practicable from an economic and engineering standpoint, Seller shall not conduct or agree to conduct any Responsive Action in a manner that unreasonably interferes with the Business at any relevant Business Real Property; and (ii) Purchaser shall provide Seller, at reasonable times and after reasonable notice, access to the Business Real Property and Business Records and employees in connection with any such control and/or performance by Seller.

(h) The party that controls and/or performs any Responsive Action relating to any Environmental Indemnity Claim under this Agreement (the "Controlling Party") shall (i) reasonably consult with the other party (the "Non-Controlling Party") regarding any such Responsive Action, including the selection of any environmental consultants and the selection of, and development of any scope of work for, any Responsive Action; (ii) provide the Non-Controlling Party with an opportunity to review and comment on any submission to any Governmental Entity reasonably in advance of such submission and shall consider such comments in good faith; and (iii) provide the Non-Controlling Party with an opportunity to (A) attend any meetings with any Governmental Entity; (B) review any Records relating to such Responsive Action in the Controlling Party's control that the Non-Controlling Party may reasonably request; and (C) monitor the performance of such Responsive Action and, in the case of any intrusive investigation or cleanup, and at the Non-Controlling Party's reasonable request and expense, take split samples; provided, however, that, if Purchaser is the Controlling Party, with respect to any such Environmental Indemnity Claim that could reasonably be expected to result in Loss such that Seller has an obligation to indemnify Purchaser under Section 10.01, Purchaser shall not conduct, agree to, or enter any settlement or order or make any reporting to any Governmental Entity with respect to any Responsive Action (including the selection of consultants, development and selection of a scope of work, any submissions to any Governmental Entity) without the prior written consent of Seller, which shall not be unreasonably withheld or delayed, unless such notice is required to be made promptly and prior to receiving such consent to comply with applicable Law, including applicable Environmental Laws.

(i) Any Responsive Action taken in connection with any Environmental Indemnity Claim shall be conducted in a workmanlike manner, using commercially reasonable and cost-effective practices, standards and methods from an engineering standpoint.

(j) Notwithstanding anything to the contrary contained in this Agreement, prior to Closing, Purchaser shall not be entitled to conduct any environmental testing or investigations on the Transferred Assets, the Transferred Real Property, the Rome Real Property or any other properties of any member of the Seller Group, including without limitation, borings, samplings or any tests conducted in connection with Phase I environmental site assessments or Phase II environmental site assessments.

(k) Notwithstanding anything to the contrary in this Agreement or any other Transaction Document, after the date of this Agreement or after the Closing, Purchaser may contact the Air Protection Branch of the EPD for purposes of addressing its air permit for operations at the Rome Real Property and the improvements thereon (collectively, the "Rome Mill") or any other matters related directly or indirectly to air permitting compliance of such operations; provided, however, that any matter relating directly or indirectly to the application of the definition of "ambient air" (as that term is defined in O.C.G.A. § 12-9-3(a)(5) and 40 C.F.R. § 50.1(e)) to the Rome Mill, including the application of federal and state regulations and guidance, compliance with National

Ambient Air Quality Standards, and air modeling to show compliance with Environmental Law, are subject to the following conditions:

(i) Purchaser provides to Seller 15 days' advance written notice of its plan to contact the EPD which

notice shall include identification of the party or parties at the EPD to be contacted, the intended list of attendees on behalf of Purchaser, a reasonably detailed description of the purpose, scope, and content of such plan and any related discussion or meeting with the EPD, and copies of any presentations, agenda, documents, and handouts to be presented or submitted to the EPD. Seller shall have 10 Business Days in which to comment on such plan. Purchaser shall use good faith efforts to incorporate Seller's comments and any requests to modify the plan;

(ii) Seller grants approval of Purchaser's plan or modified plan, not to be unreasonably withheld, conditioned or delayed;

(iii) Seller is allowed to have one representative of its choosing present in person at any meeting or as a participant during any conference call between Purchaser and the EPD;

(iv) Purchaser shall neither initiate nor propose, suggest, or otherwise encourage the EPD at any time to make any contact with or request of or submittals to the U.S. EPA; and

(v) Seller may, at its sole discretion, direct Purchaser to terminate any further contact, discussions, or proceeding by Purchaser with the EPD or, if applicable, with the U.S. EPA, at which time Purchaser shall in good faith do so, including Purchaser's withdrawal of any requests, comments, and submittals previously made to and forbearance in engaging in further contacts or discussions with any Governmental Entity related to the subject matter of this Section 10.07(e).

ARTICLE XI

GENERAL PROVISIONS

SECTION 11.01 Survival of Representations and Warranties and Agreements.

(g) The representations and warranties of the parties contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive the Closing until the date that is 18 months after the Closing Date, except that (i) the representations and warranties contained in each of the Purchaser Fundamental Representations and the Seller Fundamental Representations shall survive indefinitely, (ii) the representations and warranties contained in Section 4.07 shall survive the Closing until 30 days following the expiration of the relevant statute of limitations (giving effect to any applicable extensions or waivers thereof) and (iii) the representations and warranties contained in Section 4.11 and, to the extent related to

Environmental Permits, Section 4.17 shall survive until the date that is 30 months after the Closing Date. The covenants and agreements of the parties contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive the Closing indefinitely or for the shorter period explicitly specified therein. Notwithstanding the preceding sentences, any inaccuracy of representation or warranty or breach of covenant or agreement, in respect of which indemnification may be sought under this Agreement, shall survive the time at which it would otherwise terminate pursuant to the preceding sentences, if notice of the inaccuracy or breach thereof giving rise to such right of indemnification shall have been given to the party against whom such indemnification may be sought prior to such time. Notwithstanding any other provision of this Agreement, (A) on and after the first anniversary of the Closing Date, Purchaser shall not have rights to indemnification, or any other remedy, for any breach of Section 5.01, (B) on and after the second anniversary of the Closing Date, neither party shall have rights to indemnification, or any other remedy, for any breach prior to the Closing of Sections 1.03(c), 1.07, 2.02, 6.04(e), 6.07 or 6.08, and (C) neither party shall have rights to indemnification, or any other remedy, for

any breach prior to the Closing of Sections 5.02, 6.04 (other than 6.04(e)), 6.05, 6.06, or 6.10(b) at any time after the Closing. Notwithstanding anything to the contrary contained herein, this Section 11.01(a) will not apply to any Ancillary Agreement.

(h) Seller shall have no obligation to indemnify Purchaser Indemnitees under Section 10.01(a)(iv) unless Seller is provided notice asserting a claim for indemnification for such Pre-Closing Environmental Liabilities on or before the fourth anniversary of the Closing Date. Such obligation shall not terminate with respect to the Pre-Closing Environmental Liabilities as to which Purchaser Indemnitees provide such notice prior to such time.

SECTION 11.02 Notices. All notices, requests, claims, demands, waivers and other communications under this Agreement shall be in writing and shall be deemed given (a) five Business Days following sending by registered or certified mail, postage prepaid, (b) when sent, if sent by facsimile, provided that the facsimile transmission is promptly confirmed by telephone, (c) when delivered, if delivered personally to the intended recipient, and (d) one Business Day following sending by overnight delivery via a courier service that is nationally recognized in the U.S. and, in each case, addressed to a party at the following address for such party:

(vi) if to Seller, to:

International Paper Company
6420 Poplar Avenue
Memphis, Tennessee 38197
Attention: General Counsel
Facsimile: (901) 214-1248

with a copy to (which shall not constitute notice):

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K&L Gates LLP
134 Meeting Street, Suite 200
Charleston, South Carolina 29401
Attention: James S. Bruce
Facsimile: (843) 579-5601

(vii) if to Purchaser or GP, to:

Georgia-Pacific LLC
133 Peachtree Street, N.E.
Atlanta, Georgia 30303-1847
Attention: General Counsel
Facsimile: (404) 584-1461

with a copy to (which shall not constitute notice):

Jones Day
1420 Peachtree Street
Atlanta, Georgia 30309
Attention: Bryan E. Davis
Facsimile: (404) 581-8330

or to such other address(es) as shall be furnished in writing by any such party to the other party hereto in accordance with the

provisions of this Section 11.02. The parties agree that the attorney for a party shall have the authority to deliver notices on such party's behalf to the other parties hereto.

SECTION 11.03 Definitions. For purposes of this Agreement:

"401(k) Plans" means defined contribution plans that include a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code (and a related trust exempt from tax under Section 501(a) of the Code).

"Accounting Firm" means one or more independent accounting firms of nationally recognized standing mutually acceptable to each of the parties hereto and selected for purposes of resolving disputed matters with respect to Closing Net Working Capital pursuant to Section 2.03(c) or determining the fair market value of the Transferred Equity Interests and Transferred Assets pursuant to Section 9.01(a).

"Action" means any demand, action, claim, counterclaim, suit, countersuit, complaint, charge, arbitration, mediation, hearing, inquiry, labor grievance procedures, proceeding, audit or investigation by or before any Governmental Entity or any arbitration or mediation tribunal.

"Additional Assets" means the assets described in Section 11.03(a) of the Seller Disclosure Letter.

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"affiliate" of any Person means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person. As used herein, "control" (and other derivative forms, such as "controlling" and "controlled") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by Contract or otherwise.

"Ancillary Agreements" means the Diboll Access Agreement, the Diboll Stormwater Agreement, the Stumpage Exchange Supply Agreement, the Georgia Bonds Tax-Exempt Bond Agreement, the Gypsum Facing Paperboard Supply Agreement, the Hope Bonds Assignment and Assumption Agreements, the Patent License Agreement, the Northern Chipmill Wet Storage Facility Agreement, the Rome Declaration of Easements, the Rome Declaration of Stormwater, the Rome Lease, the Rome Mill Residual Chip and Fiber Fuel Purchase Agreement, the Rome Mill Steam Supply Agreement, the Rome Wet Storage Facility Agreement, the Texas Bonds Tax-Exempt Bond Agreement, the Transition Services Agreement and the Western Mill Residual Chip and Fiber Fuel Purchase Agreements.

"Antitrust Authorities" means the Antitrust Division of the DOJ, the FTC or the antitrust, monopolization, restraint of trade or competition authorities of any other jurisdiction (whether U.S., foreign or multinational).

"Assumed Bonds Obligations" means all obligations and Liabilities of the Seller Group and any member thereof with respect to the Hope Bonds.

"Assumed Environmental Liabilities" means (a) any obligations or Liabilities for investigation, clean up or remedial action required under Environmental Laws at, under or on any of the Transferred Real Property or the Rome Real Property that results from the presence or Release of Hazardous Materials at the Transferred Real Property or the Rome Real Property, other than the Retained Environmental Remediation Liabilities and (b) costs or Liabilities that may be required for compliance with Boiler MACT, Boiler GACT, or revisions to CISWI, other than costs or Liabilities arising out of noncompliance with Boiler MACT, Boiler GACT, or revisions to CISWI prior to the Closing.

"Assumed Indebtedness" means the Assumed Bonds Obligations and the Guarantees.

“Boiler GACT” means National Emission Standards for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers Area Sources as set forth in 40 CFR Part 63, Subpart JJJJJ, as amended from time to time.

“Boiler MACT” means National Emission Standards for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers and Process Heaters as set forth in 40 CFR Part 63, Subpart DDDDD, as amended from time to time.

“Bond Leased Property” means any Transferred Assets leased to Seller or any other member of the Seller Group by an industrial development board or Governmental Entity in connection with the issuance of the Bonds.

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“Bonds” means, collectively, the Hope Bonds, the Georgia Bonds and the Texas Bonds.

“Business” means TIN’s business of designing, developing, manufacturing, selling and distributing building products in the Segments; provided, however, that the Business shall in no event include any operations conducted with the Excluded Assets.

“Business 401(k) Plans” means the 401(k) Plans of the Business.

“Business Assets” means the Transferred Assets and all assets of the Transferred Entities (other than Excluded Assets).

“Business Day” means any day on which commercial banks are generally open for business in New York, New York, other than a Saturday, a Sunday or a day observed as a holiday in New York, New York under the Laws of the State of New York or the federal Laws of the U.S.

“Business Material Adverse Effect” means any state of facts, change, effect, condition, development, event or occurrence (any such item, an “Effect”) that, when taken together with all other Effects, has a material adverse effect on the financial condition, Business Assets, Liabilities or results of operations of the Business, taken as a whole, other than an Effect relating to (a) the economy, financial markets, or political conditions generally, (b) the industries in which the Business operates generally (including changes in prices for energy, raw materials and finished products), (c) the financial, securities and currency markets generally, (d) any change in Law or GAAP or interpretation of any of the foregoing, (e) acts of war, natural disasters, armed conflicts or terrorism, (f) the entering into or the public announcement or disclosure of this Agreement or the consummation or proposed consummation of the Transactions or the pendency thereof, (g) Seller’s performance of this Agreement or any actions taken by Seller (or any of its affiliates), at Purchaser’s request or with Purchaser’s consent, (h) any requirement imposed by any Governmental Entity in connection with its approval of the Transactions, (i) any Excluded Asset, Retained Liability or other asset or property of Seller or any other member of the Seller Group that is not being transferred pursuant to this Agreement, (j) the loss of any customer or customers of the Business, any change in the Business’ relationship with any such customer or customers, or any termination or cancellation of any Contract with any such customer or customers, and (k) matters disclosed in the Seller Disclosure Letter as of the date hereof; provided, however, that with respect to the foregoing clauses (a) through (e), such matter shall only be excluded so long as, and to the extent that, such matter does not have a materially disproportionate effect on the Business, taken as a whole, relative to other comparable businesses operating in the industry in which the Business operates.

“Business Real Property” means the Transferred Real Property, the Rome Real Property and any Real Property (other than any Excluded Assets) owned or leased by the Transferred Entities.

“CARB” means the California Air Resources Board.

“CARB II” means CARB’s Airborne Toxic Control Measure to reduce Formaldehyde Emissions from Composite Wood Products, commonly known as the CARB I and II regulations (17 CA ADC § 93120 et seq.).

“Change of Control Payments” means the aggregate amount payable by Seller or any affiliate to or for the benefit of the Business Employees, pursuant to any change in control agreement.

“CISWI” means New Source Performance Standards for Commercial and Industrial Solid Waste Incineration Units as set forth in 40 CFR Part 60, Subpart DDDD, as amended from time to time.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Composite Panels” means an engineered wood product manufactured from wood particles or fibers, namely particleboard, fiberboard and medium-density fiberboard.

“control” has the meaning given to such term in the definition of “affiliate” in this Section 11.03.

“Customer” means each of the top 10 customers of each Segment by revenue during the 12-month period ended September 30, 2012.

“Delayed Del-Tin Closing Date” means the date that is 30 days after the date that Seller notifies Purchaser that TIN has become the owner of 100% of the membership interests in Del-Tin.

“Deltic” means Deltic Timber Corporation, an Arkansas corporation.

“Deltic JV Interest” means Deltic’s membership interest in Del-Tin, if any.

“Del-Tin” means Del-Tin Fiber L.L.C., an Arkansas limited liability company.

“Del-Tin Assets” means all of the properties, assets, goodwill and rights (including lease, license and other contractual rights) of whatever kind and nature, real, personal or mixed, tangible or intangible and wherever situated, that are owned, leased or licensed by Del-Tin, including those assets set forth in Section 11.03(b) of the Seller Disclosure Letter. Notwithstanding the foregoing, Del-Tin Assets shall in no event include Excluded Del-Tin Assets.

“Del-Tin Benefit Plan Arrangements” means the Liabilities of any member of the Seller Group with respect to or related to the Del-Tin Benefit Plans, if any.

“Del-Tin Benefit Plans” means any and all Pension Plans, Welfare Plans and other bonus, pension, profit sharing, deferred compensation, incentive compensation, stock or other equity ownership, stock or other equity purchase, stock or other equity appreciation, restricted stock or other equity, stock or other equity repurchase rights, stock or other equity option, phantom stock,

other equity-based, performance, retirement, vacation, severance or other plan, arrangement or understanding maintained, contributed to or required to be maintained or contributed to by Del-Tin or any of its subsidiaries.

“Del-Tin Business” means Del-Tin’s business of designing, developing, manufacturing, selling and distributing

medium-density fiberboard and fiberboard products; provided, however, that the Del-Tin Business shall in no event include any operations conducted with the Excluded Del-Tin Assets.

“Del-Tin Liabilities” means all Liabilities arising out of or relating to the Del-Tin Assets, the Del-Tin Business or the operation or conduct of the Del-Tin Business which would be Assumed Liabilities pursuant to Section 1.04 if the Del-Tin Business were a part of the Business.

“Del-Tin Operating Agreement” means that certain Operating Agreement for Del-Tin, dated February 21, 1995, as amended from time to time.

“Del-Tin Target Net Working Capital” means \$6,000,000.

“Diboll Access Agreement” means the Access and Rail Line Easement Agreement between Seller and Purchaser, substantially in the form attached hereto as Exhibit E.

“Diboll Real Property” means the land located in Diboll, Texas used exclusively by the Business as more particularly described in Section 1.02(a)(i)(A) of the Seller Disclosure Letter.

“Diboll Stormwater Agreement” means the Stormwater Treatment and Easement Agreement between TIN and Purchaser, substantially in the form attached hereto as Exhibit G.

“dollars” or “\$” means lawful money of the United States of America.

“Effect” has the meaning given to such term in the definition of “Business Material Adverse Effect” in this Section 11.03.

“El Morro” means El Morro Corrugated Box Company LLC, a Delaware limited liability company.

“El Morro Subsidiaries” means, collectively, International Paper Corrugados, S. de R.L. de C.V., International Paper Group, S. de R.L. de C.V., IP Paper Servicios, S. de R.L. de C.V., Gaylord Container de México, S.A. de C.V., International Paper Baja, S. de R.L. de C.V., International Paper Servicios Tijuana, S. de R.L. de C.V.

“Enterprise Contracts” means any Contracts (a) between Seller and any of its affiliates, on the one hand, and one or more third parties, on the other hand, that directly benefit both the Business and any other business conducted by Seller and its affiliates and (b) that are not Transferred Contracts.

“Environmental Laws” means all applicable federal, state, provincial, local and foreign Laws, Judgments, legally binding agreements and Environmental Permits issued, promulgated or

entered into by or with any Governmental Entity, relating to pollution, natural resources, protection or restoration of the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), endangered or threatened species or, as it relates to pollution, human health or safety, including OSHA.

“Environmental Liabilities” means all Liabilities or costs in respect of environmental, health or safety matters, including those arising from (a) the compliance or non-compliance with Environmental Laws, (b) the alleged or actual presence or Release of, or exposure to, Hazardous Materials, (c) the offsite transportation, storage, disposal or arrangement for disposal of Hazardous Materials, and (d) any other Liabilities or costs arising under Environmental Laws, including, in each case, all investigatory, cleanup and other remediation costs, administrative oversight costs, natural resources damages, property damages, personal injury damages, indemnity, contribution and similar obligations and all costs and expenses,

interest, fines, penalties and other monetary sanctions in connection with any of the foregoing.

“EPD” means the Environmental Protection Division of the Georgia Department of Natural Resources.

“Excluded Contracts” means Contracts set forth on Section 1.02(b)(xv) of the Seller Disclosure Letter and all Shared Contracts.

“Excluded Del-Tin Assets” means assets set forth on Section 11.03(c) of the Seller Disclosure Letter.

“Excluded Employees” means the employees described in Section 11.03(d) of the Seller Disclosure Letter.

“GAAP” means generally accepted accounting principles in effect in the U.S. at the relevant time.

“Georgia Bonds” means the \$7,120,000 Development Authority of McDuffie County Waste Disposal Revenue Bonds (Temple-Inland Forest Products Corporation Project) Series 1998.

“Georgia Bonds Tax-Exempt Bond Agreement” means a tax-exempt bond agreement by and between TIN and Purchaser with respect to certain Transferred Assets that were financed or refinanced with proceeds of the Georgia Bonds, substantially in the form attached hereto as Exhibit H.

“Guarantees” means the instruments and obligations set forth in Section 11.03(e) of the Seller Disclosure Letter.

“Gypsum Facing Paperboard Supply Agreement” means the Gypsum Facing Paperboard Supply Agreement between Seller and Purchaser, substantially in the form attached hereto as Exhibit I.

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“Gypsum Wallboard Segment” means the gypsum wallboard business that manufactures a full-line of gypsum board products.

“Hazardous Materials” means (a) any petroleum or petroleum products, radioactive materials or wastes, asbestos in any form, urea formaldehyde foam insulation and polychlorinated biphenyls and (b) any other chemical, material, substance or waste that is prohibited, limited or regulated under any applicable Environmental Law.

“Hope Bonds” means the \$44,300,000 City of Hope, Arkansas Industrial Development Revenue Bonds (Temple-Inland Forest Products Corporation Project) Taxable Series 1995.

“Hope Bonds Assignment and Assumption Agreements” means, collectively, (a) an assignment and assumption agreement by and between TIN and Purchaser with respect to the Lease Agreement related to the Hope Bonds and (b) an assignment and assumption agreement by and between TIN and Purchaser with respect to the Payment in Lieu of Taxes Agreement related to the Hope Bonds, substantially in the forms attached as Exhibit J.

“Income Tax” means any Tax imposed on or measured by net income, including franchise or other similar Taxes measured by net income.

“Indebtedness” means (a) all indebtedness for borrowed money, including the aggregate principal amount of, and any accrued interest and applicable prepayment charges or premiums (including any “make-whole” or similar premium or penalty payable in connection with redemption or otherwise extinguishing such indebtedness whether or not then due) with respect to all borrowed money, purchase money financing and capitalized lease obligations and (b) any indebtedness evidenced by any note, bond, debenture or other debt security, in the case of the foregoing clauses (a) and (b), whether incurred, assumed, secured or unsecured and including any guarantees of such indebtedness.

“IP Ownership Date” means February 13, 2012.

“IRS” means the U.S. Internal Revenue Service.

“Judgment” means any judgment, injunction, rule, order or decree.

“knowledge of Seller” and “known to Seller” means the actual knowledge of the persons set forth on Exhibit K, in each case after reasonable due inquiry.

“Liabilities” means obligations, liabilities and commitments and undertakings of any nature, whether known or unknown, express or implied, primary or secondary, direct or indirect, liquidated, absolute, accrued, contingent or otherwise and whether due or to become due.

“Liens” means all pledges, liens, claims, charges, mortgages, encumbrances and security interests of any kind or nature whatsoever.

“Material Adverse Effect” means a Business Material Adverse Effect or a Purchaser Material Adverse Effect, as applicable.

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“Multiemployer Plan” means any Business Benefit Plan, Business Benefit Agreement or any Business Benefit Plan that is a “multiemployer plan” within the meaning of Section 4001(a)(3) of ERISA.

“Northern Chipmill Wet Storage Facility Agreement” means the Wet Storage Facility Agreement between Seller and Purchaser, substantially in the form attached hereto as Exhibit L.

“OSHA” means the Occupational Safety and Health Act of 1970.

“Panel Products Segment” means the business producing particleboard, medium-density fiberboard and fiberboard products.

“Patent License Agreement” means the Patent License Agreement between Seller and its affiliates and Purchaser, substantially in the forms attached as Exhibit M.

“Permitted Liens” means (a) all covenants, conditions, restrictions, reservations, easements, encroachments, title irregularities, rights-of-way and other matters, if any, pertaining to or affecting the Business Assets that appear of public record or on recorded plats of the Business Assets, (b) all federal, state, county, municipal and local governmental statutes, ordinances, permits, rules and regulations, including, without limitation, zoning, planning and other land use regulations or restrictions of any political subdivision or Governmental Entity having jurisdiction over the Business Assets, (c) any matters disclosed on the Surveys, (d) all covenants, conditions, restrictions, reservations, easements, rights-of-way and other matters listed in the Title Insurance Policies for the Business Real Property, (e) Liens for current Taxes, assessments or governmental charges or levies on property not yet due or which are being contested in good faith and for which appropriate reserves in accordance with GAAP have been created, (f) mechanics’, carriers’, workmen’s, materialmen’s, repairmen’s and similar Liens arising in the ordinary course of business or by operation of Law with respect to which any amount that is past due is not material or for which appropriate reserves have been taken in accordance with GAAP, (g) Liens that have been placed by any developer, landlord or other third party on any Leased Real Property and subordination or similar agreements relating thereto, (h) in the case of any Transferred Asset that represents the right to use property of a third party, Liens created by such third party or that encumber such third party’s interest in such property or created in the instrument establishing Seller’s right to use such property, (i) in the case of a Transferred Contract or Transferred Permit, Liens created by the terms of such Transferred Contract or Transferred Permit, (j) UCC-1 financing statements filed by lessors of equipment, (k) in the case of

the Transferred Equity Interests, any restrictions, obligations, agreements, rights of first refusal, transfer restrictions, buy-sell rights or other arrangements set forth in the organizational documents of the Transferred Entities, (l) Liens securing or related to the Assumed Indebtedness, (m) other non-monetary Liens that would not reasonably be expected to materially and adversely affect the use of such assets in the current conduct of the Business, (n) Liens created or caused by Purchaser, and (o) monetary Liens related to the Bond Leased Property.

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“Person” means an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any Governmental Entity.

“Pineland Mill” means the sawmill and studmill of the Business located in Pineland, Texas.

“Post-Closing Tax Period” means all taxable periods beginning after the Closing Date and the portion beginning on the day after the Closing Date of any Straddle Period.

“Pre-Closing Environmental Liabilities” means all Assumed Environmental Liabilities that result from the presence or Release of Hazardous Materials at, under or on the Transferred Real Property or the Rome Real Property on or prior to the Closing Date, but only to the extent such presence or Release existed at concentrations in soil, groundwater or other environmental media on the Closing Date that require notification and remedial action pursuant to Environmental Law in force and in effect on the Closing Date.

“Pre-paid Taxes” means all payments of Taxes made in respect of the Tax liability of the Business and the Transferred Assets (whether by reason of an estimated Tax payment or otherwise) on or prior to the Closing Date in respect of a Straddle Period or Post-Closing Tax Period.

“Purchaser Business” means the business, operations and affairs of Purchaser and its subsidiaries, taken as a whole.

“Purchaser Designee” means an affiliate of Purchaser.

“Purchaser Fundamental Representations” means the representations and warranties of Purchaser contained in Sections 3.01, 3.02, 3.03(a)(i) and 3.03(b).

“Purchaser Material Adverse Effect” means any Effect that has been or would reasonably be likely to be material and adverse to (a) the business, assets, properties, condition (financial or otherwise) or results of operations of Purchaser and its affiliates, taken as a whole, or of the Purchaser Business, or (b) the ability of Purchaser to perform its obligations under the Transaction Documents or consummate the Transactions.

“PZR Reports” means the PZR Reports of the Owned Real Property commissioned by Seller.

“Rail Facilities” means the rail lines, adjacent yards, spur tracks and other rail facility appurtenances thereto located in Diboll, Texas and owned and/or operated by TSE.

“Real Property” means all real property, leaseholds and other interests in real property, including any mineral rights and interests and gypsum reserves, together with the right, title and interest in, to and under all plants, facilities, buildings, structures, improvements and fixtures thereon, all easements, restrictive covenant rights, declarant rights, land use approvals, impact

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fee credits, development rights and rights of way pertaining thereto or accruing to the benefit thereof and all other appurtenances and real property rights pertaining thereto.

“Release” means any actual or threatened release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.

“Residual Knowledge” shall mean ideas, know how, information, techniques and concepts, other than the Transferred Technology, which are retained in the unaided memory of any employee, agent or representative of Seller or Seller’s affiliates who had permitted access to the Business prior to the Closing Date. For purposes of this Agreement, a person’s memory will be considered “unaided” if such person has remembered the information without reference to, use of, or the aid of information in any tangible form, and has not purposefully or intentionally memorized the information for any purpose.

“Retained Environmental Remediation Liabilities” means all Environmental Liabilities described in Section 11.03(f) of the Seller Disclosure Letter.

“Review Law” means any Law of any applicable jurisdiction that pertains to antitrust, merger control, competition matters or foreign investment review.

“Rollback Taxes” means any and all ad valorem property Taxes or the equivalent in the jurisdiction where the Transferred Real Property is located, resulting from any action of Purchaser that changes the use of the Transferred Real Property. For the avoidance of doubt, the term “Rollback Taxes” shall not include any ad valorem property Taxes or the equivalent in the jurisdiction where the Transferred Real Property is located that were previously paid or accrued by the Seller or any member of the Seller Group.

“Rome Declaration of Easements” means the Declaration of Easements and Cost Sharing Agreement by TIN, substantially in the form attached hereto as Exhibit N.

“Rome Declaration of Stormwater” means the Declaration of Stormwater and Wastewater Easements and Treatment Agreement by TIN, substantially in the form attached hereto as Exhibit Q.

“Rome Lease” means that Ground Lease Agreement between TIN Inc. and Purchaser relating to the lease of the Rome Real Property to Purchaser, substantially in the form attached hereto as Exhibit P.

“Rome Mill Residual Chip and Fiber Fuel Purchase Agreement” means the Residual Chip and Fiber Fuel Purchase Agreement between Seller and Purchaser, substantially in the form attached hereto as Exhibit Q.

“Rome Mill Steam Supply Agreement” means the Steam Supply Agreement between Seller and Purchaser, substantially in the form attached hereto as Exhibit R.

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“Rome Wet Storage Facility Agreement” means the Wet Storage Facility Agreement between Seller and Purchaser, substantially in the form attached hereto as Exhibit S.

“Segments” means, collectively, the Solid Wood Segment, the Panel Products Segment and the Gypsum Wallboard Segment.

“Seller Business” means (a) the business and operations of the Seller Group other than the Business, (b) all other

businesses and operations acquired or commenced by any member of the Seller Group at any time after the Closing Date, and (c) any terminated, divested or discontinued business or operation that at the time of termination, divestiture or discontinuation did not solely relate to the Business as then conducted.

“Seller Designated Representations” means those representations and warranties of Seller in Article IV except for the Seller Fundamental Representations.

“Seller Fundamental Representations” means those representations and warranties of Seller set forth in Sections 4.01, 4.02, 4.03(a)(i), 4.03(b), 4.12(c), and the last sentence of Section 4.13(a).

“Seller Group” means, collectively, Seller, TIN and Temple-Inland.

“Seller’s Title Agent” means North American Title Company.

“Solid Wood Segment” means the solid wood business that produces lumber as well as solid and finger jointed studs.

“STB” means the Surface Transportation Board or its successor agency or body having the same or similar jurisdiction over common carriers by rail.

“Straddle Period” means any taxable period that includes (but does not end on) the Closing Date.

“Stumpage Exchange Supply Agreement” means the Stumpage Exchange Supply Agreement between Seller and Purchaser, substantially in the form attached hereto as Exhibit T.

“subsidiary” of any Person means any corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled (a) by such Person, (b) by any one or more of such Person’s subsidiaries, or (c) by such Person and one or more of its subsidiaries; provided, however, that no Person that is not directly or indirectly wholly-owned by any other Person shall be a subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

“Supplier” means each of the top 10 suppliers of each Segment in terms of expenditures during the 12-month period ended September 30, 2012.

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“Surveys” means the surveys, commissioned by Seller, of the Owned Real Property and the Real Property required to be listed on Section 4.12(a) of the Seller Disclosure Letter. .

“Target Net Working Capital” means, in the event that the assets of Del-Tin (i) are acquired at Closing, \$85,000,000, and (ii) not acquired at Closing, \$79,000,000.

“Tax” or “Taxes” means all forms of taxation imposed by any Taxing Authority, including income, capital gains, franchise, property, sales, use, excise, employment, gross receipts, unemployment, payroll, social security, estimated, value added, ad valorem, transfer, customs, recapture, withholding, health, abandonment or unclaimed property, escheat, and other taxes of any kind, including any interest, penalties and additions thereto.

“Tax Return” means any report, return, document, declaration, claim for refund or other information or filing required to be supplied to any Taxing Authority with respect to Taxes, including any amendment made with respect thereto,

including any return, attachment or schedule of an affiliated, consolidated or unitary group.

“Taxing Authority” means any Federal, state, provincial, local or foreign government, any subdivision, agency, commission or authority thereof or any quasi-governmental body exercising Tax regulatory authority or responsible for the assessment, collection, imposition or administration of any Tax.

“Temple-Inland” means Temple-Inland Inc., a Delaware corporation.

“Texas Bonds” means the \$3,750,000 Angelina and Neches River Authority Waste Disposal Revenue Bonds (Temple-Inland Forest Products Corporation Project) Series 1998.

“Texas Bonds Tax-Exempt Bond Agreement” means a tax-exempt bond agreement by and between TIN and Purchaser with respect to certain Transferred Assets that were financed or refinanced with proceeds of the Texas Bonds, substantially in the form attached hereto as Exhibit U.

“TIN” means TIN Inc., a Delaware corporation.

“TIN Continuation Period” means the 18-month period commencing on February 13, 2012.

“TIN JV Interest” means TIN’s membership interest in Del-Tin, if any.

“TIN Transferred Employee” means any Transferred Employee (a) who immediately prior to the closing of the transactions contemplated by that certain Agreement and Plan of Merger, dated as of September 6, 2011, by and among Seller, Metal Acquisition, Inc. and Temple-Inland, Inc., was employed by Temple-Inland, Inc. or any of its subsidiaries (other than any such Transferred Employee covered by collective bargaining agreements) and (b) who was continuously employed from such closing through the Closing.

“Title Company” means Republic Title of Texas, Inc.

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“Transaction Documents” means this Agreement, the Asset Conveyance Documents, the Liability Assumption Documents, the Ancillary Agreements and the Confidentiality Agreement.

“Transactions” means the Acquisition and the other transactions contemplated by the Transaction Documents.

“Transfer Taxes” means all sales (including bulk sales), use, transfer, real property transfer, real estate transfer, recording, filing (other than the filing fees required under the HSR Act and the other applicable Review Laws), value added, ad valorem, privilege, documentary, registration, conveyance, excise, license, stamp or other similar Taxes and notarial or other similar fees (including penalties and interest) solely arising out of, in connection with or attributable to the transactions effectuated pursuant to this Agreement; provided that Transfer Taxes shall not include income Taxes or Taxes on capital gains.

“Transferred Entities” means, collectively, TSE and El Morro.

“Transferred Equity Interests” means all the outstanding shares of capital stock of each of TSE and El Morro.

“Transition Services Agreement” means the Transition Services Agreement between Seller and Purchaser, substantially in the form attached hereto as Exhibit V, with schedules modified as contemplated by Section 6.10(b).

“Treasury Regulations” means regulations promulgated by the United States Department of the Treasury under the

Code.

“TSE” means Texas South-Eastern Railroad Company, a Texas corporation.

“U.S.” means the United States of America.

“U.S. EPA” means the United States Environmental Protection Agency.

“USW” means the United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers International Union.

“Western Mill Residual Chip and Fiber Fuel Purchase Agreements” means the Residual Chip and Fiber Fuel Purchase Agreements between Seller and Purchaser, substantially in the forms attached hereto as Exhibit W.

SECTION 11.04 Interpretation; Disclosure Letters. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” Any matter disclosed in any Section of the Seller Disclosure Letter shall qualify the correspondingly numbered representation and warranty or covenant and any other representation and warranty or

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covenant of Seller to the extent that the relevance of any such disclosure to such other representation and warranty or covenant is reasonably apparent from the text of such disclosure.

SECTION 11.05 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Transactions is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the end that the Transactions are fulfilled to the extent possible.

SECTION 11.06 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or email shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11.07 Entire Agreement; No Third Party Beneficiaries. The Transaction Documents, taken together with the Seller Disclosure Letter, constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, among the parties hereto with respect to the Transactions (except for the Confidentiality Agreement, which the parties agree will terminate as of the Closing) and are not intended to confer upon any Person other than the parties hereto any rights or remedies. Notwithstanding anything to the contrary contained in this Agreement, no provision under this Agreement, whether express or implied, shall (a) constitute or create an employment agreement with any Transferred Employee or (b) limit the right of Purchaser, Seller or any of their respective affiliates to amend, terminate or otherwise modify any Business Benefit Plan, Purchaser plan or other benefit or employment plan or arrangement following the Closing Date. Seller and Purchaser acknowledge and agree that all provisions contained in this Agreement with respect to Transferred Employees are included for the sole benefit of Seller, Purchaser and their respective affiliates, and that nothing in this Agreement, whether express or implied, shall create any third party beneficiary or other rights (x) in any other person, including any current or former Transferred Employees, any participant in any existing benefit plan or arrangement, or any

dependent or beneficiary thereof, other than as explicitly provided for with respect to the USW in Section 6.07(i)(ii), or (y) to continued employment with Seller, Purchaser or any of their respective affiliates. In the event of any conflict between the provisions of this Agreement (including the Seller Disclosure Letter and Exhibits hereto), on the one hand, and the provisions of the other Transaction Documents (including the schedules and exhibits thereto) except for the Confidentiality Agreement and Ancillary Agreements, on the other hand, the provisions of this Agreement shall control.

SECTION 11.08 Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York, regardless of the Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

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SECTION 11.09 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of Law or otherwise by any of the parties hereto without the prior written consent of the other parties; provided that Purchaser shall, without the obligation to obtain the prior written consent of any other party to this Agreement, be entitled to assign this Agreement or all or any part of its rights, interests or obligations hereunder to (a) one or more affiliates of Purchaser or (b) to any Person or Persons to which Purchaser or any of its affiliates sells or transfers any Composite Panel assets, businesses, services, products or product lines in accordance with Section 6.04(d), in each case, which assignment will not relieve Purchaser of any of its obligations hereunder. Any purported assignment in violation of this Section 11.09 shall be void ab initio. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns, and upon any permitted assignment, the references in this Agreement to Purchaser shall also apply to any such permitted assigns unless the context otherwise requires.

SECTION 11.10 Enforcement. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of any Transaction Document were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled, prior to Closing, to an injunction or injunctions to prevent breaches of any Transaction Document and to enforce specifically the terms and provisions of each Transaction Document in any Federal court located in the Southern District of New York, or, if such federal courts do not have subject matter jurisdiction, in any New York state court located in the Borough of Manhattan in the City of New York, this being in addition to any other remedy to which they are entitled at law or in equity. The parties acknowledge and agree that no bond or other security shall be required in obtaining such equitable relief. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any Federal court located in the Southern District of New York or, if such federal courts do not have subject matter jurisdiction, of any New York state court located in the Borough of Manhattan in the City of New York, in the event any dispute arises out of any Transaction Document or any Transaction, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it will not bring any action relating to any Transaction Document or any Transaction in any court other than any Federal court located in the Southern District of New York or any New York state court located in the Borough of Manhattan in the City of New York, and (d) waives any right to trial by jury with respect to any action related to or arising out of any Transaction Document or any Transaction. Except as set forth in the Ancillary Agreements, this Section 11.10 will not apply to any breach of any Ancillary Agreement that occurs following the Closing Date. During the period any Action related to or arising out of any Transaction Document or any Transaction is pending, all Actions with respect to such Action including any counterclaim, cross-claim or interpleader, shall be subject to the exclusive jurisdiction of such courts. A final judgment in any Action described in this Section 11.10 after the expiration of any period permitted for appeal and subject to any stay during appeal shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Laws.

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SECTION 11.11 Seller Disclosure Letter and Exhibits. Seller Disclosure Letter and the exhibits to this Agreement are hereby incorporated into this Agreement and are hereby made a part of this Agreement as if set out in full in this Agreement.

SECTION 11.12 GP Guarantee. GP hereby agrees to guarantee the obligations of Purchaser pursuant to this Agreement and is a signatory of this Agreement solely for such purpose. Whenever this Agreement requires Purchaser to take any action, such requirement shall be deemed to include an undertaking on the part of GP to cause Purchaser to take such action and a guarantee of performance thereof.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS.]

IN WITNESS WHEREOF, each of Seller, Purchaser and GP has duly executed this Agreement, effective as of the date first written above.

SELLER:

INTERNATIONAL PAPER COMPANY

By: /S/ PETER L. MAPLES
Peter L. Maples
Director, Corporate Development

PURCHASER:

GEORGIA-PACIFIC BUILDING PRODUCTS LLC

By: /S/ DAVID G. PARK
David G. Park
Vice President

Solely for purposes of Section 11.12 of this Agreement.

GP:

GEORGIA-PACIFIC LLC

By: /S/ DAVID G. PARK
David G. Park
Senior Vice President – Strategy and Business Development

[SIGNATURE PAGE TO PURCHASE AGREEMENT]

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Exhibit 11

INTERNATIONAL PAPER COMPANY
STATEMENT OF COMPUTATION OF PER SHARE EARNINGS (c)
(Unaudited)
(In millions, except per share amounts)

<i>In millions, except per share amounts</i>	2012	2011	2010
Earnings (loss) from continuing operations	\$ 749	\$ 1,273	\$ 691
Discontinued operations	45	49	—
Net earnings (loss)	794	1,322	691
Effect of dilutive securities (a)	—	—	—
Net earnings - assuming dilution	\$ 794	\$ 1,322	\$ 691
Average common shares outstanding	435.2	432.2	429.8
Effect of dilutive securities (a)			
Restricted stock performance share plan	5.0	4.8	4.4
Stock options (b)	—	—	—
Average common shares outstanding - assuming dilution	440.2	437.0	434.2
Earnings (loss) per common share from continuing operations	\$ 1.72	\$ 2.95	\$ 1.61
Discontinued operations	0.10	0.11	—
Net earnings (loss) per common share	\$ 1.82	\$ 3.06	\$ 1.61
Earnings (loss) per common share from continuing operations - assuming dilution	\$ 1.70	\$ 2.92	\$ 1.59
Discontinued operations	0.10	0.11	—
Net earnings (loss) per common share - assuming dilution	\$ 1.80	\$ 3.03	\$ 1.59

(a) Securities are not included in the table in periods when antidilutive.

(b) Options to purchase 0.0 million, 15.6 million and 18.2 million shares for the years ended December 31, 2012, 2011 and 2010, respectively were not included in the computation of diluted common shares outstanding because their exercise price exceeded the average market price of the Company's common stock for each respective reporting date.

(c) Attributable to International Paper Company common shareholders.

Exhibit 12

INTERNATIONAL PAPER COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(Dollar amounts in millions)

For the Years Ended December 31,					
TITLE	2008	2009	2010	2011	2012
(A) Earnings (loss) from continuing operations before income taxes and equity earnings	\$ (1,153.0)	\$ 1,199.0	\$ 822.0	\$ 1,458.0	\$ 1,024.0
(B) Noncontrolling interests, net of taxes	(3.0)	(18.0)	(21.0)	(14.0)	(5.0)
(C) Fixed charges excluding capitalized interest	648.2	780.6	718.8	680.7	797.4
(D) Amortization of previously capitalized interest	30.0	31.3	30.4	29.2	24.2
(E) Equity in undistributed earnings of affiliates	—	—	—	—	—
(F) Distributed income of equity investees	73.0	51.0	33.0	85.6	—
(G) Earnings (loss) from continuing operations before income taxes and fixed charges	\$ (404.8)	\$ 2,043.9	\$ 1,583.2	\$ 2,239.5	\$ 1,840.6
Fixed Charges					
(H) Interest and amortization of debt expense	\$ 572.5	\$ 702.3	\$ 643.4	\$ 602.0	\$ 714.7
(I) Interest factor attributable to rentals	65.8	72.0	69.9	73.3	77.0
(J) Preferred dividends of subsidiaries	9.9	6.3	5.5	5.4	5.7
(K) Capitalized interest	27.5	12.1	14.0	21.6	36.6
(L) Total fixed charges	\$ 675.7	\$ 792.7	\$ 732.8	\$ 702.3	\$ 834.0
(M) Ratio of earnings to fixed charges		2.58	2.16	3.19	2.21

(N)	Deficiency in earnings necessary to cover fixed charges	\$ (1,080.5)
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NOTE: Dividends on International Paper's preferred stock are insignificant. As a result, for all periods presented, the ratios of earnings to fixed charges and preferred stock dividends are the same as the ratios of earnings to fixed charges.

Exhibit 21

EX-21 8 exhibit21.htm EXHIBIT

Exhibit 21

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2012

Name	Jurisdiction
7961227 Canada Inc.	Canada
Ace Packaging Systems, Inc.	Michigan
Alexander Plantation, LLC	Delaware
Baoding International Paper Packaging Co., Ltd.	China
Basswood Forests LLC	Delaware
Beech Forests LLC	Delaware
Beijing Golden Eagle Package & Production Co., Ltd.	China
Birch Forests LLC	Delaware
Blue Sky Timber Properties LLC	Delaware
Branigar Organization, Inc., The	Illinois
Cartonajes International, S.L.	Spain
Cartonajes Union S.L.	Spain
Cenpak Paper Products (M) Sdn. Bhd.	Malaysia
Certified Forest Management LLC	Delaware
Champion Realty Corporation	Delaware
Chocolate Bayou Water Company	Delaware
CircleTree Insurance Company	Vermont
CMCP - INTERNATIONAL PAPER S.A.S.	Morocco
Commercial Realty & Properties LLC	Delaware
Comptoir des Bois de Brive S.N.C.	France
Corporate Commercial Realty, Inc.	Delaware
CP Packaging Sdn. Bhd.	Malaysia
ECHO Easement Corridor, LLC	Delaware
El Morro Corrugated Box Company LLC	Delaware
El Morro Corrugated Box Corporation	Puerto Rico
EM Xpedx, S.A. De C.V.	Mexico
Emballages Laurent SAS	France
English Oak LLC	Delaware
Federal Forestlands Inc.	Delaware
Forest Insurance Limited	Bermuda
GCC Southeastern Corporation	Delaware
GCO Minerals LLC	Texas
Global Chain Trading Limited	Hong Kong
Groveton Paper Board, Inc.	New Hampshire
Haig Point, Inc.	Delaware
I.P. CONTAINER HOLDINGS (SPAIN) S.L.	Spain
Inducar S.L.	Spain
Inland Paper Company Inc.	Indiana
Instituto International Paper	Brazil
International Paper - 26, Inc.	Delaware
International Paper - 35, Inc.	Delaware
International Paper - Comércio de Papel e Participações Arapoti Ltda.	Brazil
International Paper - Kwidzyn Sp. Z O.O.	Poland

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2012

Name	Jurisdiction
International Paper & Sun (Hong Kong) Trading Limited	Hong Kong
International Paper & Sun Cartonboard Co., Ltd.	People's Republic of China
International Paper (Asia) Limited	Hong Kong
International Paper (Beijing) Packaging Co., Ltd.	Beijing, China
International Paper (Chengdu) Packaging Co., Ltd.	Chengdu, China
International Paper (Chongqing) Packaging Co., Ltd.	China
International Paper (Chuzhou) Forest Products Co. Ltd.	China
International Paper (Deutschland) GmbH	Germany
International Paper (Dongguan) Packaging Co., Ltd.	Dongguan, China
International Paper (Espana), S. L.	Spain
International Paper (Europe) Sàrl	Luxembourg
International Paper (Guangzhou Panyu) Packaging Co. Ltd.	China
International Paper (Guangzhou) Packaging Co., Ltd.	Guangzhou, China
International Paper (Hohhot) Packaging Co., Ltd.	China
International Paper (Malaysia) Sdn Bhd	Malaysia
International Paper (Nanjing) Packaging Co., Ltd.	China
International Paper (Netherlands) B. V.	Netherlands
International Paper (New Zealand) Limited	New Zealand
International Paper (Poland) Holding sp. z o.o.	Poland
International Paper (Shanghai Minhang) Packaging Co., Ltd.	China
International Paper (Shenyang) Packaging Co., Ltd.	People's Republic of China
International Paper (Suzhou) Packaging Co., Ltd.	China
International Paper (Tianjin) Packaging Co., Ltd.	China
International Paper (UK) Limited	Scotland
International Paper (Wuhan) Packaging Co., Ltd.	China
International Paper (Wuxi) Packaging Co., Ltd.	Wuxi, China
International Paper Agroflorestral Ltda.	Brazil
International Paper Baja, S de R.L. de C.V.	Mexico
International Paper Benelux SPRL	Belgium
International Paper Cartones S.A.	Chile
International Paper Celulose Ltda.	Brazil
International Paper Company (Delaware)	Delaware
International Paper Company Employee Relief Fund	New York
International Paper Company Foundation	New York
International Paper Company Limited	United Kingdom
International Paper Container (France) Holding SAS	France
International Paper Container (Shanghai) Limited	Shanghai, China
International Paper Corrugados, S. de R.L. de C.V.	Mexico
International Paper Czech Republic, s.r.o.	Czech Republic
International Paper de Mexico, S.A. de C.V.	Mexico

International Paper Distribution (Shanghai) Limited

People's Republic
of China

International Paper Distribution Group (Taiwan) Limited

Taiwan, Province Of
China

International Paper Distribution Limited

British Virgin
Islands

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2012

Name	Jurisdiction
International Paper do Brasil Ltda.	Brazil
International Papaer Embalagens Industriais Ltda.	Brazil
International Paper Embalagens Ltda.	Brazil
International Paper Empaques Industriales de Mexico S. de R.L. de C.V.	Mexico
International Paper Empaques Industriales de Mexico S. de R.L. de C.V.	Mexico
International Paper Exportadora Ltda.	Brazil
International Paper Financial Services, Inc.	Delaware
International Paper Financing France SARL	France
International Paper Foodservice (Shanghai) Co., Ltd.	China
International Paper Foodservice (Tianjin) Co., Ltd	China
International Paper Foodservice Europe Limited	United Kingdom
International Paper France SAS	France
International Paper Frontera, S. de R.L. de C.V.	Mexico
International Paper Group (UK) Limited	United Kingdom
International Paper Holdings (Asia) B.V.	Netherlands
International Paper Group, S. de R.L. de C.V.	Mexico
International Paper Holding (Turkey) B.V.	Netherlands
International Paper Holdings (Luxembourg) S.à.r.l.	Luxembourg
International Paper Holdings Chile S.A.	Chile
International Paper Holland B.V.	Netherlands
International Paper Hungary Kereskedelmi Kft.	Hungary
International Paper Industrie France	France
International Paper Investment (Shanghai) Co., Ltd.	China
International Paper Investment, LLC	Delaware
International Paper Investments (Asia) B.V.	Netherlands
International Paper Investments (France) S.A.S	France
International Paper Investments (Holland) B.V.	Netherlands
International Paper Investments (Luxembourg) S.à.r.l.	Luxembourg
International Paper Investments Asia Pte Ltd	Singapore
International Paper Italia Srl	Italy
International Paper Japan Limited	Japan
International Paper Latin America Investments, LLC	Delaware
International Paper Latin America Ltda.	Chile
International Paper Manufacturing and Distribution Ltd.	Hong Kong
International Paper Monterrey, S. de R.L. de C.V.	Mexico

International Paper Nordic Sales Company Oy	Finland
International Paper Packaging (Thailand) Co., Ltd.	Thailand
International Paper Packaging Malaysia (Johor) Sdn. Bhd.	Malaysia
International Paper Packaging Malaysia (Kuala Lumpur) Sdn. Bhd.	Malaysia
International Paper Packaging Malaysia Sdn. Bhd.	Malaysia
International Paper Packaging Singapore (Jurong) Pte Ltd	Singapore
International Paper Packaging Singapore Pte Ltd	Singapore
International Paper Papiers de Bureau SARL	France
International Paper Peru S.R.L.	Peru
International Paper Polska Sp. z o.o.	Poland
International Paper Procurement (Shanghai) Limited	People's Republic of China
International Paper Professional Services Corporation	Delaware

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2012

Name	Jurisdiction
International Paper Realty Corporation	Delaware
International Paper Russia Holding B.V.	Netherlands
International Paper S.A.	France
International Paper Servicios Tijuana, S de R.L. de C.V.	Mexico
International Paper Shengdao (Dalian) Packaging Co., Ltd.	China
International Paper Switzerland GmbH	Switzerland
International Paper Tecnologia en Empaque, S.A. de C.V.	Mexico
International Paper Trading (Shanghai) Limited	People's Republic of China
International Paper Ukraine SE	Ukraine
IP Belgian Services Company SPRL	Belgium
IP Canada Holdings Limited	Canada
IP Canadian Packaging Operations Inc.	Canada
IP CBPR Properties 2 LLC	Delaware
IP CBPR Properties LLC	Delaware
IP Celimo SARL	France
IP Commercial Properties Inc.	Delaware
IP Corporate Management (Shanghai) Co. Ltd.	China
IP Eagle LLC	Delaware
IP EMPAQUES DE MEXICO, S. DE R.L. DE C.V.	Mexico
IP Farms, Inc.	Delaware
IP Forest Resources Company	Delaware
IP Holding Asia Singapore Pte. Ltd.	Singapore
IP Inland Holdings LLC	Delaware
IP Inland Mexico Holdings LLC	Delaware
IP International Holdings, Inc.	Delaware
IP Mexico Holdings S.a.r.l.	Luxembourg
IP Mineral Holdings LLC	Delaware
IP Pacific Timberlands, Inc.	Delaware
IP Paper (India) Private Limited	India
IP Paper Servicios, S. de R.L. de C.V.	Mexico

IP Petroleum Company, Inc.	Delaware
IP Realty Holdings LLC	Delaware
IP Singapore Holding Pte. Ltd.	Singapore
IP Timberlands Operating Company, Ltd.	Texas
IPAD Inc.	Delaware
Lacebark LLC	Delaware
Lake Superior Land Company	Delaware
Long-Bell Petroleum Company, Inc., The	Louisiana
Longview, Portland & Northern Railway Company (LP&N Railway)	Washington
Lost Creek, Inc.	Delaware
Montauban Cartons	France
Northwest Crossings Corporation	Delaware
Northwest Pines, Inc.	Delaware
Oficina Central de Servicios, S. A. de C. V.	Mexico
Olmuksa International Paper Sabanci Ambalaj Sanayi ve Ticaret A.S.	Turkey
Papelera Kif de Mexico, S. A. de C. V.	Mexico
Papeteries D'Espaly SAS	France

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2012

Name	Jurisdiction
Papeteries Etienne SAS	France
Pines II, Inc.	Delaware
Printing solutions and services Sp. z.o.o. (in liquidation)	Poland
Przedsiębiorstwo Produkcyjno-Handlowe "Tor-Pal" Spolka z Ograniczona Odpowiedzialnoscia	Poland
PT International Paper Packaging Indonesia Batam	Indonesia
Red Bird Receivables, LLC	Delaware
Sabine River & Northern Railroad Company	Texas
SCA (Nanjing) Packaging Co., Ltd.	China
SCA (Suzhou) High-graphic Packaging Co., Ltd.	China
SCA Packaging Malaysia (Penang) Sdn. Bhd.	Malaysia
Scotch Investment Company	Texas
Shandong International Paper & Sun Coated Paperboard Co., Ltd.	People's Republic of China
Shandong IP & Sun Food Packaging Co., Ltd.	China
Shanghai International Paper Packaging Co., Ltd.	China
Societe Guadeloupeenne de Carton Ondule SAS	France
Société Méditerranéenne d'Emballages	France
Societe Normande de Carton Ondule	France
Southeast Timber, Inc.	Delaware
Southland Energy Company	Texas
Southland Timber Holdings LLC	Delaware
SP Forests L.L.C.	Delaware
Sunbelt Insurance Company	Texas
Supplier Finance Company, LLC	Delaware
Sustainable Forests L.L.C.	Delaware
Suzhou Cenpak Paper Products Co., Ltd.	China
Suzhou SCA Environment Production Paper Products Co., Ltd.	China
Suzhou SCA Packaging Technical Development Co., Ltd.	China

Exhibit 21

Templar Essex Inc.	Delaware
Temple Associates, Inc.	Texas
Temple-Inland Funding Corporation	Nevada
Temple-Inland Inc.	Delaware
Temple-Inland Resource Company	Nevada
Texas South-Eastern Railroad Company	Texas
The Andhra Pradesh Paper Mills Limited	India
Tianjin Bohai International Paper Packaging Co., Ltd.	China
Timberlands Capital Corp. II, Inc.	Delaware
Timberlands Capital Corp. III, Inc.	Delaware
TIN Inc.	Delaware
TIN Land Financing, LLC	Delaware
TIN Timber Financing LLC	Delaware
TINCorr S.A.	Delaware
Transtates Properties Incorporated	Delaware
U. C. Realty Corp.	Delaware
Velarium Oy Ab	Finland
Xianghe International Paper Packaging Co., Ltd.	China
xpedx International Inc.	Delaware
xpedx, S.A. de C.V.	Mexico
ZAO International Paper	Russia
ZAO Tikhvinsky Kompleksny Lespromokhoz	Russia

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-179728 on Form S-3 and Registration Statements No. 333-61335, 333-01667, 333-75235, 333-37390, 333-85830, 333-85828, 333-85826, 333-85824, 333-85822, 333-85818, 333-85820, 333-108046, 333-120293, 333-145459, 333-154522, 333-154523, 333-159336, 333-129011 and 333-164230 on Form S-8 of our reports dated February 26, 2013, relating to the consolidated financial statements of International Paper Company and subsidiaries (the "Company"), the consolidated financial statement schedule of the Company, and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of International Paper Company for the year ended December 31, 2012.

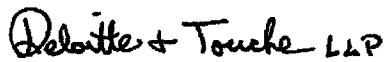

Memphis, Tennessee
February 26, 2013

Exhibit 31.1

CERTIFICATION

I, John V. Faraci, certify that:

1. I have reviewed this quarterly report on Form 10-K of International Paper Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 26, 2013

/s/ John V. Faraci

John V. Faraci

Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Carol L. Roberts, certify that:

1. I have reviewed this quarterly report on Form 10-K of International Paper Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 26, 2013

/s/ Carol L. Roberts

Carol L. Roberts

Senior Vice President and Chief

Financial Officer

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report of International Paper Company (the "Company") on Form 10-K for the period ended December 31, 2012 for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code. John V. Faraci, Chief Executive Officer of the Company, and Carol L. Roberts, Chief Financial Officer of the Company, each certify that, to the best of his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John V. Faraci

John V. Faraci

Chairman and Chief Executive Officer

February 26, 2013

/s/ Carol L. Roberts

Carol L. Roberts

Senior Vice President and Chief Financial Officer

February 26, 2013